



1997

## An Analysis of the Strategies Employed by Selected Administrators in the Privatization of Support Services

Liliana Evers

Loyola University Chicago

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# **Loyola University Chicago**

**An Analysis of the Strategies  
Employed by Selected Administrators  
in the Privatization of Support Services**

**A Dissertation Submitted to the  
Faculty of the School of Education  
for the Degree of  
Doctor of Education**

**Department of Educational Leadership and Policy Studies**

**By  
Liliana Evers**

**Chicago, Illinois  
May, 1997**

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## **ACKNOWLEDGEMENTS**

I thank my mentor and advisor, Dr. Mel Heller, Professor of Educational Administration at Loyola University, whose encouragement, help, and guidance led me through this dissertation process. I would also like to thank Dr. Lou Gatta and Dr. Art Safer for serving on my dissertation committee.

I thank the ten superintendents who graciously gave their time and participated in the study. Without their cooperation, the study would not have been possible.

I would like to give a special thanks to my daughter, Gina, and to my mother, Val, for their patience, encouragement, and for the myriad of additional chores they performed while I was engaged in the doctoral program and dissertation process.

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# ABSTRACT

The purpose was to discover and analyze the factors involved and the strategies administrators employed when deciding to privatize one or more of the support areas. Transportation, food services, maintenance and security were selected as a focal point. Data from 87 returned initial surveys were reported. The superintendents of the 10 final sample districts participated in qualitative, open-ended, semistructured interviews.

The motivation to consider privatization was primarily financial in nature. All initial decisions to consider privatization were made by the superintendent. The majority of decisions was based on hunches, intuition, or the recommendations of other superintendents. The original decision to consider privatization stemmed from a variety of factors. Once the superintendent decided to go forward with privatization, he had to sell the idea to his board. In order to sell his idea, he orchestrated a process of evaluating the feasibility of privatization. He involved community/board members in the decision-making process.

All financial aspects of the service were considered. Cost comparisons of the district owned and operated services versus the cost of a contracted services were done. Cost was the first item considered. An

analysis of the quality of service for the cost in one instance was the second consideration.

Most vendors sold their packages in the direct opposite manner. Rather than seeing cost as the number one factor, they sold the ease of administration, responsiveness of the service, and quality as being the number one issues. They worded their proposals with cost being the last consideration rather than the first. The artifacts reviewed and the interviews held stressed that privatized services freed administrators from the time consuming tasks of dealing with problems that arise and promised high quality service. The vendors assumed that districts would pay for quality and service.

All superintendents interviewed claimed that their current service providers met the needs for which they were privatized. When probed for specifics about their evaluation process, they generally cited less complaints, cost savings, and community/board satisfaction as criteria for making their evaluations. 20 factors, 38 strategies, and 5 conclusions drawn from the study were reported.

# CHAPTER ONE

## INTRODUCTION

Privatization became the new educational buzz word when the Hartford, Connecticut, School Board voted to approve a privatization contract with a for-profit firm called Educational Alternatives, Inc. in 1994. This contract placed the entire operation and management of the Hartford public schools in the hands of a firm whose goals were to make money.

Since that time, a myriad of privatized services have entered the education scene. Think about a few of the possibilities for privatization named below:

- Sylvan Learning Systems will establish a Sylvan Learning Center for Chapter 1 students in your school facility,
- Childcare can provide before- and after-school care in your facility,
- Quest, Arbor, and Marriott are still providing hot lunches along with others,
- EDS will do all your data processing for you,



- Education Alternatives, Inc. will co-manage the district and its schools with the existing staff,
- The Edison Project creates brand new schools, separate from public schools, which are equipped with state of the art technology,
- The New American Schools Development Corporation claims to bring together the best and brightest educators to create new learning environments,
- Laidlaw or others will bus your students, and
- Hundreds of other vendors can be found to meet your district's every need.

According to the Third Annual Privatization Survey, non-educational services continue to be privatized. "The controversial concept of privatization is accepted by many institutions as a means to cut costs while maintaining a similar level of service." According to the survey respondents, privatization is here to stay - 43% of school districts and 53% of colleges expected their use of contract services to increase over the next few years. Figure 1 highlights some of the survey's findings.<sup>1</sup>

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<sup>1</sup>Agron, Joe, "Homeward Bound," American School and University, (September, 1995): p. 28 - 31.

Figure 1

## **Percentage of School Districts Using Selected Contract (Privatized) Services, 1995**

<b>Type of Service</b>	<b>% of Districts</b>
Computer Servicing	23.3%
Custodial	7.8%
Food Service	22.4%
HVAC Maintenance	26.7%
Instructional Equipment Repair	21.6%
Laundry	6.9%
Maintenance	6.0%
Payroll Preparation	3.4%
Printing	23.3%
Security	11.2%
Transportation (Busing)	31.9%
Vending	11.2%

### **Number of contract services now used by school districts:**

None	19.0%
1 - 4	69.8%
5 or more	11.2%

Privatization limits government services by replacing them with private sector operators. Privatization can be employed in one of two ways. First, there can be a complete withdrawal of public services such as when a school district dissolves. Non-government agencies would provide services only if there is sufficient public demand. Second, the school board can contract with private parties, community groups, non-profit organizations, or even former employees to provide public services. Historically, school

districts have contracted for some types of supportive services such as transportation, food service, or maintenance. School districts can also contract for more comprehensive services. These can include the use of private teachers or even private firms. The school board can contract the entire operation of an individual school or even the entire school district as happened in Hartford, Connecticut, in 1994.<sup>2</sup>

School boards find privatization an attractive option because it purports to reduce costs and increase management flexibility. The current lack of public funding is forcing administrators and school boards to take a serious look at embracing at least some degree of privatization.

## **PURPOSE OF THE STUDY**

This dissertation intends to discover and analyze the strategies administrators employ when deciding to privatize one or more of the support areas. Support area privatization is accomplished by contracting services in noninstructional areas such as maintenance, security, food services, and transportation. These four areas have been selected as a focal point because the literature suggests them as areas where privatization (contracting outside vendors) has proved effective.

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<sup>2</sup>"American Teacher," January, 1995, Volume 79, No. 4, p.4.

The major research questions are:

1. What rationale, strategies, and/or decision-making processes do administrators employ to determine whether the district will pursue privatization?
2. What rationale, strategies, and/or decision-making processes do administrators employ in determining which noninstructional services to privatize?
3. What factors do administrators perceive as impeding or fostering the decision-making process for privatization with a special emphasis on:
  - A. The rationale for entering into privatization?
  - B. Issues related to legal/contractual, financial, and political concerns?

Miller states that effective and efficient management of school district custodial and maintenance services can be achieved by contracting these services. Miller feels that a competent management company will offer a computerized management system and a complete training program. He also suggests that prospective management companies should offer management and cost controls.<sup>3</sup>

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<sup>3</sup>Miller, Gregg, "Maintenance and Custodial Affairs: Getting the Most for the Money," School Business Affairs, Vol. 59, No. 7, July, 1993, pp. 18-21.

Some school districts have found that maintenance and custodial services can be contracted with cost saving results. Crothall lists specific questions to ask potential contractors in order to evaluate contracting for maintenance and custodial services.<sup>4</sup>

Lieberman encourages schools to become profit making institutions and to contract instructional and noninstructional services to private contractors. Lieberman feels this privatization will cause healthy competition and motivation in the schools.<sup>5</sup>

Beales and O'Leary argue that contracting support services is a strong, viable management strategy for school administrators. They cite transportation, food services, and school-facility management as areas where contracting has proved effective.<sup>6</sup>

A second reason for selecting the areas of maintenance, security, food services, and transportation is contracted services by outside providers have traditionally occurred in these four areas. School boards and administrators have been hesitant to contract the area of instruction.

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<sup>4</sup>Crothall, Graeme A., "What to Ask when Contracting for Maintenance and Custodial Services," School Business Affairs, Vol. 55, No.2, Feb., 1989, pp.20-24.

<sup>5</sup>Lieberman, Myron, "Profit-Making Schools and Contracting Services Out," Education Digest, Vol.52, No. 3, Nov., 1986, pp 36-39.

<sup>6</sup>Beales, Janet R., and O'Leary, John, "Making Schools Work: Contracting Options for Better Management." Los Angeles: Reason Foundation Policy Study No. 169, November, 1993.

## **METHODOLOGY**

A review and analysis of the literature is presented. Additionally, this dissertation presents the findings of qualitatively conducted interviews of district superintendents or their designees. Contracting by school districts must be handled differently from district to district. Many factors regarding the "type" of district presently engaged or considering contracting must come into play. In order to obtain a sample that would cover the diversity of districts in the metropolitan Chicago area, this research project has been conducted in Cook and DuPage Counties, Illinois. The "types" of school districts located in Cook and DuPage vary substantially. These district "types" represent white collar, blue collar, rich, poor, and all levels of in between districts. District sizes also vary from large to small. The assessed valuations and the per pupil expenditures of the elementary school districts vary.

An initial survey to determine the sample has been conducted. This initial survey was directed to all one hundred forty-five district superintendents in Cook County and to all sixty-three district superintendents in DuPage County. The district superintendent with the approval of the school board members has the responsibility of contracting any services. Even if the district superintendent delegated these responsibilities, he was able to direct the survey to the appropriate person

in the district. Later, a second step was to interview the appropriate person/people in each district that became part of the final sample.

The initial survey sought responses to the items listed on the Initial Survey Form (Appendix A). Besides providing a rationale to use in order to determine the final sample, the survey questions were also designed to give additional data to enhance this study.

Two hundred eight initial surveys were sent to district superintendents in Cook and DuPage Counties. Eighty-seven completed surveys were returned. Upon receipt of the completed surveys, the final sample was determined by applying the following criteria:

1. Eliminate any districts which do not subcontract any services from the final sample (-5 (2 Cook + 3 DuPage)).
2. Eliminate any districts which indicated that they did not wish to participate in the interview (-41 (24 Cook + 17 DuPage)).
3. Eliminate any districts whose district superintendents did not complete or return the initial survey (-121 (89 Cook + 32 DuPage)).
4. Eliminate any districts with less than three areas of contracted support services (-23 (18 Cook + 5 DuPage)).

A prefinal sample of 18 districts (12 Cook + 6 DuPage) resulted after applying the initial criteria listed above. In order to have the best possible interview experience and results, it was further determined to eliminate any districts whose district superintendent was not in the district at the time the privatization process occurred. Superintendents' comments garnered during the contact phone call were utilized to determine which superintendents were not in the district at the time the privatization process occurred eliminating 6 districts. Two superintendents said they were not interested in participating in the qualitative interviews eliminating another 2 districts. The final sample became 10 districts (7 Cook + 3 DuPage). The semi-structured interview schedule applied equally to all districts in the final sample. Appointments were made to conduct face to face interviews with these administrators. During the contact phone call, a request for a copy of any documentation the district had regarding the contracting experience, i.e., any contracts, copies of board minutes relating discussions held about contracting or decisions to contract, any resultant lawsuits, etc. was made.

A copy of the interview schedule was mailed to the district superintendents in the final sample prior to the interview itself. Their specific knowledge of the interview schedule to be used promoted their trust in the interviewer, assured them that there was no hidden agenda other than what had been communicated, and helped them to prepare their



thoughts for the interview. They were also informed that additional questions to clarify their responses during the interview might arise. These questions were posed in an effort to better understand the contracting experience of each district.

The informal, open-ended, semi-structured interview schedule (Appendix B) used did not contain all of the questions asked during the face-to-face interviews. Some questions emerged as the interview was conducted. The possible subset of questions suggested were incorporated to help each administrator focus on details of the privatization experience. When the interviewee responded without giving much analysis, rationale, or depth to his response, continued probing questions were asked.

Prior to each interview, any requested documentation received from each district was studied. By studying the documentation, further pertinent, specific insights about the contracting experience of each district were noted. Any clarification needed for an in-depth analysis to be made was requested during the interview.

The interviews were one-to-one interviews with the superintendent. The interviews were taped in order to enhance coding and accuracy. During the interviews, memos were written about the responses. The memoing technique helped the researcher recall any criticisms, concerns, insights, etc. that emerged during the interview. In some instances, the memo served as a probe question to a response needing further

clarification.

Later the same day, the taped interviews were transcribed. In this way, much of the gestalt or heuristic of the interview was recalled.

The content validity of the interview questions was determined by the technique referred to as validation by experts. For this study, three school administrators, and three university professors of educational administration were used to validate the questions. This group critiqued the interview questions noting vague wording or ambiguities. They also noted the validity of the interview questions. Corrections were made as necessary. A semi-structured schedule was used and the questions were reviewed during the pilot interviews to gauge the adequacy of the interview questions in providing insights to the research question. Initial questions sought concrete answers to determine knowledge of contracting procedures and follow-up questions sought the interviewee's decision-making strategies. Also great care was taken to ensure that all questions related to the theoretical framework and to the literature review.

Two pilot interviews have been conducted to practice interviewing techniques and to test the author's ideas and eventual strategies and techniques utilized during the study. The two administrators were not part of the study. They were former superintendents who were familiar with the goals of the study and with issues in the privatization process.

Both administrators were given the questions beforehand so they could become familiar with the questions asked. This procedure guaranteed the administrators that the only purpose of the interview was to assess their knowledge of contracting and to discover what strategies they employed in the decision making process.

All the transcribed interviews and all the documents obtained from the sample districts was gathered. These documents and transcriptions were read, analyzed, and critiqued looking for consistencies, inconsistencies, patterns, themes, areas of concern, etc. to emerge. Several themes became evident: financial, legal/contractual, quality control, and service monitoring. These emerged patterns and/or themes constitute the frame of reference for analysis. The aforementioned themes have already been identified in the review of the research literature. These known themes were utilized as the coding schema (Figure 2).

## CODES (Figure 2)

CODE	THEME	EXAMPLE
F	FINANCIAL	"The district realized a savings of 15,000 the first year."
L	LEGAL	"... the resulting lawsuit still has ..."
C	CONTRACTUAL	"Our failure to collectively bargain had many repercussions."
Q	QUALITY	"The schools are not as clean as when we hired our own janitor."
S	SERVICE MONITORING	"The district had to assign new duties to the assistant principals to monitor the contracted work."
O	OTHER	"Bus drivers hired by the contractor are not of the caliber we would like to see with our children."

A data display helped visualize the commonalities across the interviews. As the coded documents and interviews were reviewed, the data was placed in the appropriate cells in the display. Based on the coding schema established, there were areas relating to finance, quality, the law, union contracts, responsibilities for monitoring the services provided on a day-to-day operations basis, and others. The data display had the above areas as column headers so that an area could be easily identified across the responses (See Figure 3). Also, the data display facilitated identification of further trends or patterns emerging from the responses.

Since the data have been gathered in several ways, namely, schedules, field notes, memos, official documents, reports, law, and transcripts, there is within methods triangulation. Also, the data generated by the various sources support one another across the study and are not contradictory. The theoretical framework supports the data findings.

A form of constant comparative method was used to categorize and link up the study. Incidents applicable to each category (predefined by code) were compared. Then the categories and their properties were integrated. No emergent theory was delineated or written.<sup>7</sup>

#### **DATA DISPLAY (Figure 3)**

	FINANCIAL	LEGAL	CONTRACTUAL	QUALITY	SERVICE MONITORING	OTHER
INT. 1						
INT. 2						
INT. 3						
INT. 4						
INT. 5						
INT. 6						
INT. 7						
INT. 8						
INT. 9						
INT. 10						

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<sup>7</sup>Glaser, B. G., and Strauss, A. L., The Discovery of Grounded Theory, Chicago, Aldine Publishing Co., 1967.

## **GLOSSARY**

**Contracting** A legally enforceable agreement between two parties in which a first party hires a second party to provide a service and who pays the second party for the service provided.

**Outsourcing** Originally, the privatization of data processing and/or information operations of a public sector government body by a for-profit firm. Now, the term OUTSOURCING has been extended to refer to any type of privatization effort.

**Privatization** The practice by which a government body or other not for profit organization enters into a contractual agreement with one or more persons or for-profit organizations to provide services to those the government body is obligated to serve.

**Subcontracting** The second party of a contractual agreement hires a third party to provide the service for which the second party was originally contracted.

For purposes of this dissertation, contracting, subcontracting, outsourcing, and privatization will be used interchangeably.

## **LIMITATIONS OF THE STUDY**

A limitation of this study was the restricted geographical sample from which the author makes generalizations about the strategies employed by administrators in deciding to privatize services. This limitation, however, can be seen as a control measure since all the administrators are from public school districts governed by the same budget rules and procedures. Another limitation of this study might be the quality and accuracy of the data obtained from the interview procedure. Face-to-face interviews provide the interviewer the opportunity to note the facial expressions, body language, and voice inflections of the interviewee. However, the interviewer was still concerned that the administrators responses were flavored by their thoughts about what should be rather than what actually transpired. These limitations were considered while conducting the study. Documentation and artifacts, such as the State of Illinois Report Card and Board of Education minutes, were requested and related back to the responses for credibility.

# CHAPTER TWO

## REVIEW OF LITERATURE

### PRIVATIZATION

Miller states that effective and efficient management of school district custodial and maintenance services can be achieved by contracting these services. Miller feels that a competent management company will offer a computerized management system and a complete training program. He also suggests that prospective management companies should offer management and cost controls.<sup>8</sup>

Miller adds that one of the very real differences in using a management company is their proven system of management. He states that good management and an ongoing system of communication with administrators can really make a big difference in solving problems. Miller feels that as educators focus more on their mission - educating children - they are recognizing the many benefits of letting private companies manage the support companies.<sup>9</sup>

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<sup>8</sup>Miller, Gregg, "Maintenance and Custodial Affairs: Getting the Most for the Money," School Business Affairs, Vol. 59, No. 7, July, 1993, pp.18-21.

<sup>9</sup>ibid., p.18



Miller suggests that districts in the process of evaluating contractors look for the following features:

- Computerized maintenance management,
- Work order management,
- Calendarization of cleaning and maintenance tasks,
- Random inspections system,
- Employee scheduling and daily time sheets,
- Preventive maintenance,
- Energy management,
- Inventory control,
- Easy to read reports,
- Training program,
- Safety performance record,
- Regulatory compliance,
- Total quality management,
- Aesthetic management,
- Budget management and cost controls, and
- Tailoring of services to meet the district's needs.<sup>10</sup>

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<sup>10</sup>ibid., pp.18-21

Cost controls can become a problem since contractors often increase their prices after the first year of the contract. Corpus Christi, Texas, contracted their transportation to a private firm and, during the second year paid an additional \$537,000 more than what the district was spending for busing.<sup>11</sup>

Contracting for noneducational services is the standard operating procedure in many school districts. Private contractors are involved in transportation, food service, maintenance, security, and even instruction. Dervarics warns school boards to examine improvement to school-run operations before making a final decision to contract services. Dervarics contends that budget cuts, parental demands for better services, and new federal and state regulations add to the already overburdened school leaders' work load. These factors greatly influence school administrators and Boards of Education in deciding to privatize.<sup>12</sup>

Given the tight fiscal constraints faced by many United States school districts, the potential for public-private partnerships in education is great. School boards should examine those forms of partnerships that offer mechanisms for ensuring accountability, including contracting some instructional services, introducing charter legislation, allowing interdistrict

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<sup>11</sup>American Teacher, Vol. 79, No. 4, Jan., 1995, pp. 1-3.

<sup>12</sup>Dervarics, Charles, "Weighing the Contract Option," American School Board Journal, Vol. 180, No. 9, Sept., 1993, pp.42-44.

school choice, promoting private provision of infrastructure, and contracting private school management.<sup>13</sup>

Plewes states that four main trends will alter the way the education and training system and other human resource agencies will do business. These trends are: flexibility, quality, diversity, and scope. The reaction to the current economic downturn remains one of flexibility. Flexibility has emerged as the way in which employers look at the work force. Temporary help is the most visible of flexibility practices; others are contracting, employee leasing, home-based work, and self-employment. United States companies are ever more concerned about quality. The message is that quality is tied to survival in the marketplace, work force preparation, the education and training system, and government-business cooperation. Plewes concludes that these themes provide the challenge to focus on the future, but not to the exclusion of fixing today's problems and the challenge to design institutions that can meet the challenge in a way that ensures the flexibility so important to growth.<sup>14</sup>

Spicer and Hill used an economic model of the provision of educational services to evaluate the efficiency of an urban educational

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<sup>13</sup>David, Anna, "Public-Private Partnerships: The Private Sector and Innovation in Education," Policy Insight, No. 142, July, 1992.

<sup>14</sup>Plewes, Thomas J., "Working Trends, Workplace Trends: How They Dictate a Changing Education and Training Strategy," Paper presented at the Work Now and In the Future Conference, Portland, Or., Nov., 1992.

system. They concluded that a voucher system would not promote efficiency and would increase racial and social segregation. They felt that minischools and competitive contracting might aid the promotion of common social values.<sup>15</sup>

Sheets and Stevens did a research report on a systematic examination of the boundary between public and private delivery of vocational education in order to find opportunities to shift the boundary toward greater private involvement without sacrificing public responsibilities. They describe privatization approaches for restructuring provision and production arrangements, including deregulation, tax incentives, vouchers, user fees, contracting, total withdrawal of government involvement, and sale of assets. They give several conclusions and recommendations relating to performance standards, consumer information, competitive contracting requirements and procedures, and public agency coordination and promotion of increased use of market incentives.<sup>16</sup>

Some school districts have found that maintenance and custodial services can be contracted with cost saving results. Crothall lists specific

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<sup>15</sup>Spicer, Michael W., and Hill, Edward W., "Evaluating Parental Choice in Public Education: Policy Beyond the Monopoly Model," American Journal of Education, Vol. 98, No. 2, Feb., 1990, pp. 97-113.

<sup>16</sup>Sheets, Robert G., and Stevens, David W., "Refining the Use of Market Incentives in the Public Provision of Training and Related Services in the 1990's," Research Report 89-05, Human Resources Data Systems, Inc., National Commission for Employment Policy (DOL), Washington, D.C., April, 1989.

questions to ask potential contractors in order to evaluate contracting for maintenance and custodial services. Crothall explains how having the answers to the following fifteen questions can help make the contracting experience positive:

1. Is there a formalized, cyclical cleaning and maintenance program?
2. Is there a computerized work order system?
3. Can the contractor meet the school's complex scheduling needs?
4. Are quality controls in place ... such as random inspections?
5. Are routine reports provided to school administrators?
6. Does the contract allow for customized services?
7. Are there financial controls on the housekeeping and maintenance programs?
8. Is there quality management?
9. How does the contractor supervise the employee?
10. What training is offered by the contractor?
11. Is there a guarantee of continuity and stability of management?
12. Are there any added benefits?
13. Who payrolls maintenance and custodial employees?
14. What is the financial viability of the contractor?
15. Does the contractor have a record of delivering what is promised?<sup>17</sup>

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<sup>17</sup>Crothall, Graeme A., "What to Ask When Contracting for Maintenance and Custodial Services," School Business Affairs, Vol. 55, No. 2, Feb., 1989, pp. 20-24.

Dudek and Company conducted a study examining the issue of contracting traditional government services and its effect on government employees. They found that local governments contract for two main reasons: to cut the cost of providing services, and to employ specialized skills and resources unavailable within the government. Findings from a review of the privatization literature were that:

1. Only about 5-10% of public employees affected by contracting were laid off.
2. Public assistance payments to laid off workers were very low.
3. Private contractors paid lower wages and offered lower fringe benefits.
4. Contracting was not inherently harmful to minorities or women.
5. Contracting may have a slightly positive impact on the number of available jobs.<sup>18</sup>

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<sup>18</sup>Dudek, et al, "Privatization and Public Employees: The Impact of City and County Contracting Out on Government Workers," Research Report 88-07, National Commission for Employment Policy (DOL), Washington, D.C., May, 1988.

The Dudek study also conducted interviews with local officials from 17 cities and counties. The interviews generally confirmed the above findings. They also noted that few cities had formal employment policies for contracting. Some policy recommendations were as follows:

1. Target new and expanded services for contracting.
2. Establish a "no layoff" policy.
3. Reduce the government work force through attrition.
4. Encourage government employees to form private companies to provide government services.
5. Allow the city agency to compete in the bidding process.
6. Develop policies for aiding displaced public employees.<sup>19</sup>

Lieberman encourages schools to become profit making institutions and to contract instructional and noninstructional services to private contractors. Lieberman feels this will cause healthy competition and motivation in the schools.<sup>20</sup>

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<sup>19</sup>ibid.

<sup>20</sup>Lieberman, Myron, "Profit-Making Schools and Contracting Services Out," Education Digest, Vol. 52, No. 3, Nov., 1986, pp.36-39.

Humphries feels that before a decision to privatize transportation can be made, five key areas need to be researched. He suggests that school boards interested in cutting transportation costs must:

1. Find out if it's possible to cut back on the amount of busing required by a desegregation plan,
2. Find out if the district is obtaining the most state aid possible and if the district can eliminate low-mileage, nonmandated, nonaided routes,
3. Find out which is more efficient and economical: contracting for or owning and operating vehicles,
4. Study bus routes and schedules to see if they're drawn as efficiently and as economically as possible, and
5. Find out if joint transportation programs with neighboring school systems can lower costs.<sup>21</sup>

VanEgmond-Pannell discussed trends to consider that could affect school food services in the future. She felt that taking these current trends into account when making decisions for providing food services in the future will help administrators control future services they plan to provide rather than be victimized by them. See Figure 4 and Figure 5.<sup>22</sup>

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<sup>21</sup>Humphries, Kenneth W., and Vincent, Robert, "Five Tips for Cutting Transportation Costs" American School Board Journal, November, 1981

<sup>22</sup>VanEgmond-Pannell, Dorothy, "Trends That Could Change School Food Service," School Business Affairs, Nov., 1986, pp.14-19



Figure 4

## **TRENDS**

1. Labor force changes - older, working shorter hours and paid more.
2. A more knowledgeable, demanding and health conscious society.
3. From a manual, people-directed and operated kitchen to more computerized and automated kitchen.
4. Population shifts from North to South.
5. Changes in farm economy, food processing and market will cause increased food costs.
6. Streamlining and modernizing of the commodity program.
7. Local school district contracting to serve other community groups, as well as other school districts.
8. Less federal government controls and more local control.
9. Higher teacher salaries forcing changes in how students are taught.
10. Minority populations becoming the majority in many large cities.

Most of the available literature seems to favor contracting of services.

This issue of contracting services has come into focus in recent years because of the ever decreasing availability of funds in the educational arena.

The literature generally cites the primary motive for privatizing as a cost-saving measure for the school district. The prospect that a private contractor will introduce new managerial efficiency into the operation is attractive to school administrators. Administrators envision the contractor bringing technical expertise to the program and vastly improving the supervisory process. Additionally, to the extent that the day-to-day supervision would be in the hands of competent managers, the school

administrators themselves would obtain some relief in workload even though the ultimate responsibility would be theirs.<sup>23</sup>

Figure 5

### **LABOR COST INCREASES**

1984-1985	\$ 5.75	
1989-1990	\$ 7.34	(208% Increase
1994-1995	\$ 9.39	Based on 5% annual increase)
1999-2000	\$12.00	

### **SAMPLE FOOD PRICES IN YEAR 2000**

<u>Item</u>	<u>1985</u>	<u>2000</u>	
Bread, white, 1 lb.	0.59	1.41	
Hamburger meat, 1 lb.	1.39	2.76	(237% Increase
Chicken, 1lb.....	0.75	1.48	Based on U.S.
Milk, 1/2 gal.	1.24	2.47	Dept. of Labor
Projections)			
Butter, 1 lb.	2.15	5.35	
Apples, 1 lb.	0.60	1.71	
Potatoes, 10 lbs.	2.51	6.95	
Eggs, dozen	0.92	1.48	
Sugar, 5 lbs.	2.45	7.19	

<sup>23</sup> *ibid.* p. 14 - 19.

## UNION/LEGAL FACTORS

Another consideration, though a subsidiary one, is that contracting permits the employer to escape the unpleasant task of having to negotiate with employees. Unions have responded in a variety of manners to the contracting issue, collective bargaining and/or political pressure being used most frequently. Bargaining on contracting can present some difficult questions for the union.

The Taylor Law specifically states that private sector labor law shall not be regarded as binding or controlling precedent. However, it is obvious that the vast accumulation of experience in the private sector is not ignored.

The National Labor Relations Act defines collective bargaining as:

The performance of the mutual obligation of the employer and the representative of the employees to meet at reasonable times and confer in good faith with respect to wages, hours, and other terms and conditions of employment, or the negotiation of an agreement, or any question arising thereunder, and the execution of a written contract incorporating any agreement reached if requested by either party, but such obligation does not compel either party to agree to a proposal or require the making of a concession...<sup>24</sup>

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<sup>24</sup>Public Employees Fair Employment Act 209 (a)(3)

Under the National Labor Relations Act, an employer is required to bargain in good faith with his employees' union or risk facing unfair labor practice charges for "refusing to bargain collectively with the representatives of his employees, subject to the provisions of section 9(a)." The duty to bargain covers the specified work performed by the employees in the bargaining unit as well as the employees themselves. So, when an employer is considering contracting work to an independent contractor for economic reasons, is the employer required to negotiate its subcontracting decision with the union?<sup>25</sup>

The next section will review some of the decisions courts and labor boards have reached on the subcontracting issue. The National Labor Relations Board (NLRB) has adopted the narrower reading of *Fibreboard* suggested by Justice Stewart. The decision to subcontract per se is not a mandatory subject. A prior determination must be whether the subcontracting decision is prompted by considerations "suitable for the resolution within the collective bargaining framework."<sup>26</sup>

The *Fibreboard* decision arose from a dispute between *Fibreboard Paper Products Company* and a union representing the company's maintenance employees. The company gave the union notice of its intention

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<sup>25</sup>29 U.S.C. 158 (a)(5)

<sup>26</sup>379 U.S.C. 203

to subcontract all of its maintenance work to an independent contractor, once the existing collective bargaining agreement expired. The company had determined that subcontracting would produce substantial savings and that negotiations would be pointless. The union, which had represented the maintenance employees for several years, protested and demanded that negotiations take place before any decision by the company was made. Fibreboard refused to negotiate. The employees in the maintenance division were discharged after the existing contract expired. The maintenance work was performed by an independent contractor.

The NLRB held that the employer had committed an unfair labor practice. The NLRB charged that Fibreboard had violated the National Labor Relations Act (NLRA) by unilaterally subcontracting out unit work and refusing to bargain with the union concerning that decision. Additionally, the NLRB ordered the employer to reinstate the discharged employees. The District Court of Appeals for the District of Columbia granted the NLRB'S petition for enforcement of its order. The employer appealed. The only issue the United States Supreme Court had to decide was whether subcontracting constituted a "term or condition of employment" within the meaning of the NLRA and, thus, a mandatory subject of collective bargaining.

The Court held that subcontracting which involves the replacement of employees in the bargaining unit with those of an independent contractor to do the same work under similar conditions of employment is covered by

"terms and conditions of employment." So, based on the factual situation of the Fibreboard case, subcontracting is a mandatory subject of bargaining for the employer. However, the decision was limited when Justice Stewart said that the Court does not decide that subcontracting decisions are as a general matter subject to bargaining. Therefore, not all subcontracting decisions would be held to be in violation of an employer's duty to bargain, only those whose factual situations were similar to Fibreboard.

Subcontracting cases which have required the employer to bargain after Fibreboard include: subleasing land, employee loss of significant portions of overtime, transfer of work from one unit to another unit represented by another union, automation decisions, where vague management rights clauses exist in the contract, and when evidence of anti-unionism is involved in the employer decision. On the other hand, it has been held that the employer has no duty to bargain in the following situations: existence of no adverse impact upon the bargaining unit, emergency situations, changes in capital structure and recoupment of capital investment, work not within the skills of the bargaining unit, recalling workers laid off, or assigning overtime to presently employed workers, or if subcontracting is clearly and expressly allowed in the agreement.<sup>27</sup>

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<sup>27</sup>Labor Law Journal, 1985

An employer may still subcontract without notice or bargaining when the subcontracting: is motivated solely by economic considerations, is similar to the employers customary business operations, does not vary significantly in kind or degree from the employers past practices, has no adverse impact on employees in the unit, follows an opportunity by the union to bargain about changes in existing subcontracting practices at previous general bargaining sessions.<sup>28</sup>

As has been demonstrated, disputes about subcontracting in the private sector are dealt with in the NLRA. Disputes about subcontracting in the public sector in Illinois are covered by the Illinois Labor Relations Act. The Illinois Educational Labor Relations Act (IELRA) would cover any Illinois public school employees in addition to any other bodies of law and regulations that would lie outside the labor relations statute, for example, the Illinois School Code. The Illinois Educational Labor Relations Act states that its purpose is:

to regulate labor relations between educational employers and educational employees, including the designation of educational employee representatives, negotiation of wages, hours and other conditions of employment and resolution of disputes arising under

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<sup>28</sup>Westinghouse Electric Corporation, 150 NLRB 174

collective bargaining agreements.<sup>29</sup>

The Illinois Educational Labor Relations Act further states that the General Assembly has determined the methods by which harmonious relations between educational employer and educational employee may best be accomplished:

- (a) granting to educational employees the right to organize and choose freely their representatives;
- (b) requiring educational employers to negotiate and bargain with employee organizations representing educational employees and to enter into written agreements evidencing the result of such bargaining; and
- (c) establishing procedures to provide for the protection of the rights of the educational employee, the educational employer and the public.<sup>30</sup>

The duty to bargain is discussed in the Illinois Educational Labor Relations Act and collective bargaining is defined as:

the performance of the mutual obligations of the educational employer and the representative of the educational employees to meet at reasonable times and confer in good faith with respect to

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<sup>29</sup>115 ILCS 5/1

<sup>30</sup>115 ILCS 5/1)



wages, hours and other terms and conditions of employment, and to execute a written contract incorporating any agreement reached by such obligation, provided such obligation does not compel either party to agree to a proposal or require the making of a concession.<sup>31</sup>

Since the wording of the IELRA is similar to that of the NLRA, we can draw many parallels based on subcontracting and the duty to bargain. The Carbondale Community High School District No. 165 case was similar in factual situations to the Fibreboard case previously discussed. The Carbondale case involved a classic subcontracting situation. Carbondale contracted out the work previously performed by employees in the bargaining unit, work which the employees were capable of continuing to perform. The IELRB'S decision was affirmed by the Illinois Court of Appeals that Carbondale had the mandatory duty to bargain its subcontracting decision for the same reasons as Fibreboard.<sup>32</sup>

The subcontracting situation was a little different in Waverly Community Unit School District. Summer school had not been taught in Waverly for the past five years at the elementary level and not for as long as anyone could remember at the high school level. Superintendent Mayer

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<sup>31</sup>115 ILCS 5/8

<sup>32</sup>153 Ill. App.3d 744, 505 N.E.2d 418

was notified of a state grant for \$3,100 for gifted and remedial summer school programs in February, 1986. He then discussed the possibility of a cooperative program with the superintendents from neighboring districts in order to provide a wide variety of programs on a limited amount of money. He also invited teachers to apply to teach summer school at a tentative rate of \$10.00 per hour. In March, the Association made a demand to bargain establishing pay rates for the 1986 summer school gifted and remedial programs, and the impact of said rates and programs.

Mayer later learned that two of the other districts were not interested in a cooperative summer school program, making a cooperative program no longer possible. Mayer then learned that the Auburn district would be willing to allow Waverly students to attend their summer program for a tuition fee. He also was able to send the district's high school students to the Springfield summer school program. And he was able to get the gifted students into a computer program at Lincoln Land Community College. Mayer felt that in this way he could offer the district's students a wide variety of programs at very little cost. Rather than run the program itself, the district could pay the students' tuition with the grant money.

The district did not bargain with the association regarding the summer school program or regarding the impact of the program on employee wages, hours and terms and conditions of employment. The association filed an unfair labor practice charge asserting that the district violated sections 14

(a)(1) and 14 (a)(5) of the IELRA by "refusing to bargain regarding establishing pay rates for summer school gifted and remedial programs for the summer, 1986." The association later amended its unfair labor practice charge to add that the district "without prior notice unilaterally subcontracted bargaining unit work for the teaching of summer school." The Hearing Officer agreed with the association's charge but, the district excepted the finding.

The final order of the Illinois Educational Labor Relations Board said that contrary to the district's assertions, the Hearing Officer did not rule that the district had to bargain over the decision to have a summer school program. The final order showed that the evidence that summer school had not been taught for many years, therefore, summer school work could not be considered bargaining unit work. The teachers did not have a reasonable expectation that the district would have a summer school program at Waverly. Because the teachers had no reasonable expectation of teaching summer school, bargaining over the decision was not required and the district was free to act in the way it did. Had there actually been a summer school program at Waverly, however, the teachers' wages for teaching summer school would clearly have been a mandatory subject of collective bargaining.<sup>33</sup>

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<sup>33</sup>5 PERI 1002

The Fenton Community High School District 100 was also charged with unfair labor practice when the school district refused to bargain before subcontracting a portion of its social services work to a nonbargaining unit member. The association charged that Fenton violated sections 14 (a)(1) and 14 (a)(5) of the IELRA by subcontracting the bargaining unit work without giving the association notice or an opportunity to bargain over both the decision and its impact.

Fenton hired a 3/5 time nonbargaining unit social worker from SASSED ( a DuPage area special education cooperative) to perform services like those already being performed by a 4/5 time bargaining unit member. The association tried repeatedly to get the district to bargain over this decision and its impact. The district maintained that they did not subcontract this work and that it did not change any wages, hours, terms and conditions of employment of any bargaining unit members.

After reviewing the facts of this case, the Hearing Officer cited the Westinghouse case and said that the district was indeed in violation because the work it subcontracted was already being performed by a bargaining unit member. The Hearing Officer also said that subcontracting which significantly reduces the work opportunities for those in the bargaining unit may not be unilaterally imposed. Therefore the district had the mandatory duty to bargain with the association regarding the decision to

subcontract and the impact of the decision.<sup>34</sup>

In 1989, the State Community College subcontracted summer school courses to part-time adjunct faculty rather than to full time faculty members. The college also decided to limit the number of credit hours that the regular faculty could teach.

The college had held a summer school for the sixteen prior years. It was the college's practice to assign summer school positions to the regular faculty. Some of the regular faculty (bargaining unit members) had taught more than one course in previous years.

The association asked the college to negotiate summer school subcontracting of work to adjunct faculty (non bargaining unit members). The college said that it was not required to negotiate the summer school program. The union grieved. The college responded by saying that it was not required to enter into midterm bargaining since it already had an agreement. The association advanced the grievance to no avail and eventually to the IELRB.

Hearing Officer Donnelly concluded that the subcontracting of summer school assignments was not per se a mandatory or nonmandatory bargaining subject. Donnelly said whether the subcontracting of particular summer school assignments is a mandatory subject of bargaining depends

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<sup>34</sup>5 PERI 1004

on whether bargaining unit members reasonably anticipated performing those assignments. Donnelly said that because the college's decision to limit teaching by regular faculty in summer school in 1989 and to assign the affected courses to part-time nonbargaining unit faculty significantly reduced reasonably anticipated work opportunities for regular faculty, the college was required to bargain in good faith with the association. The college could not take unilateral action until good faith bargaining resulted in impasse.

Donnelly said that the college had not demonstrated by a preponderance of evidence that it had bargained with the association in good faith to impasse over its decision on summer school assignments. Donnelly further said that the IELRB has held that a midterm bargaining obligation exists for mandatory bargaining subjects which were neither fully bargained nor incorporated into a collective bargaining agreement. So, Donnelly found the college to be in violation of Sections 14(a)(5) and 14(a)(1) of the IELRA.

Donnelly ordered the State Community College to cease and desist from refusing to bargain collectively and to stop interfering with, restraining, or coercing the regular faculty in the exercise of their rights under the IELRA. He also ordered the college to bargain this matter in good faith, to make whole all regular faculty affected by this decision, to post notices on faculty bulletin boards for the next 60 days, and to notify the IELRB within

20 days of the steps the college had taken to comply with the order of the IELRB.<sup>35</sup>

In *Sesser-Vallier*, Coleen Cochran had given a few years of volunteer work as a pompon sponsor. The school board then awarded her a \$500 per year contract upon her request, without notice to the association that this would be a paid position and without bargaining as to its terms. In the past unpaid extracurricular positions were added to the list of paid positions as they became paid positions. When the marching band director and scholar bowl sponsors became paid positions, they were added to the list and compensation collectively bargained for each. Also the duties of the pompon sponsor were not so different from the duties of the two already listed cheerleading coach positions.

Under the IELRA employee benefits may no longer be changed and special benefits can no longer be given without the opportunity for good faith bargaining. The IELRB found *Sesser-Vallier* in violation of the IELRA. The IELRB said that because of past practices, employees could reasonably expect work from this position. So, the school district had a mandatory duty to bargain.<sup>36</sup>

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<sup>35</sup>6 PERI 1067

<sup>36</sup>*Sesser-Vallier*, 620 N.E.2d 418

North Chicago subcontracted unit work during the summer of 1992. The evidence showed that the only work subcontracted was some overtime summer work which had first been offered to unit employees. After the unit employees declined this work, temporary employees were hired. Since the school district followed the provisions of the board/association agreement, the IELRB found that the school district did not violate section 14 (a)(5) of the IELRA.<sup>37</sup>In all the Illinois cases, you can see that the IELRB drew its interpretation of the subcontracting issue from the interpretations drawn by the NLRB. The IELRB even cited Fibreboard and Westinghouse as precedents for its interpretations. The rule of thumb on the subcontracting issue seems to be whether or not the bargaining unit members were being deprived of reasonably expected work opportunities. It also seems that a school district would be wise to consult the association to set up times to bargain the subcontracting. Agreement need not be reached, but bargaining generally must occur.

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<sup>37</sup>9 PERI 1147



## **DECISION MAKING STRATEGIES FOR ADMINISTRATORS**

The ability to make effective decisions is vital to any individual's success as an administrator. The decision to privatize services is a difficult one because so many factors are involved. Therefore, a brief review of the literature about decision making is presented. There is a plethora of decision making literature for administrators.

Historically, the three major management themes can be labelled as: classical, human relations, and behavioral science. It is important to note these management themes because they have had an impact on how managers arrive at decisions. For example, "scientific management" techniques were applied to education during the classical period before the 1930's. These techniques emphasized top down leadership and an analytical approach. The next period emphasized a "human relations approach" and was spearheaded by Elton Mayo who conducted the Hawthorne Studies at Western Electric. Group dynamics as studied by Lewin and group processes as studied by Carl Rogers in his client-centered therapy approach were considered. The third major period of administrative thought focused on a "behavioral sciences approach." We are still utilizing many of the management elements and procedures that came to the forefront during this period, such as, Barnard's cooperative systems, Getzels' and Guba's social systems theory, Maslow's needs hierarchy, Hersey's and Blanchard's

situational leadership theory, etc. The main thrust during this period was consideration of all major elements with heavy emphasis on contingency leadership, climate, and social systems theory.<sup>38</sup>

When you sift through all the decision making literature. there are really only two basic administrative decision making models - vertical and lateral. Vertical decision making is usually hierarchical and involves rule applications. These are yes and no decisions. Yes/no decisions proceed on the basis of linear procedures called traditional logical thinking. Its roots can be traced to the ancient Greeks. Some of the "rules" of traditional logical thinking are:

- Choices are involved at hierarchical stages of development (yes/no format),
- Vertical choices are selective based on judgement,
- Vertical thinking is analytical and historical,
- Continuity is a major concern(a step-by-step approach),
- Vertical thinking uses patterns because "proof" is required to justify choice,

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<sup>38</sup>Lunenburg, F. C., and Ornstein, A.C., Educational Administration: Concepts and Practices, (Wadsworth Publishing Co., 1991, Belmont, Ca.), p. 16

Vertical thinking is a closed procedure through which the thinker acquires something for the effort.<sup>39</sup>

Vertical thinking can be automated and programmed because there is always one "right" or "best" answer to a problem. Vertical thinking lends itself to bureaucracies because it reinforces the attributes of bureaucracies such as span of control, chain of command, and the division of labor around narrow specializations.<sup>40</sup>

Lateral thinking, on the other hand, is aimed at generating many responses. Lateral thinking is concerned with change for the sake of change. It is concerned with developing different ways of looking at things.

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<sup>39</sup>English, Fenwick W., Frase, Larry E., and Arhar, Joanne M., "Leading into the 21st Century," Guidebooks to Effective Educational Leadership, (Sage Publications Company, 1992, Newbury Park, Ca.), p. 31.

<sup>40</sup>*ibid.*, p. 32

Lateral thinking is not bothered by discontinuities. The lateral thinker often jumps far ahead of the data and then works back. Some of the "rules" of lateral thinking are:

- Look for chance,
- Brainstorm many possibilities,
- Search for new relationships and new roads,
- Avoid linear thinking and planning models, and
- Become a participant and take action to make something happen.<sup>41</sup>

Posing these two kinds of decision modes, the question becomes not which one is better, but which one is most appropriate for the situation? If an administrator wants to arrive at a decision based on the rules, and the problem being addressed fits within the rules, then vertical thinking may be appropriate. If the problem does not fit the rules and spreads across several organizational divisions, however, then lateral thinking may be the more appropriate mode to use. Any time unique or innovative responses are required that could be called creative, lateral thinking ought to be deliberately selected as the approach, at least initially.<sup>42</sup>

McNamara talks about decision technologies and the specific decision tools associated with those technologies. By decision tools, McNamara is

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<sup>41</sup>ibid

<sup>42</sup> ibid, pp. 33-34.

referring to options or strategies that decision makers can employ.

McNamara gets very detailed in the various types of decision technologies, for example, he talks about how integer programming ( a mathematical optimization algorithm from operations research) can be used to solve a well-structured decision problem.<sup>43</sup>

For the purposes of this study, we need not be that immersed in the decision making jargon. But, it is important to note that various decision tools do exist and can be identified with either lateral or vertical decision making models. Figure 6 delineates the various forms of decision making tools into the two modes - vertical and lateral, together with how formal or structured the approaches may become. Figure 6 represents only the major approaches since there are many possible adaptations and permutations.<sup>44</sup>

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<sup>43</sup>McNamara, James F., "Administrative Decision Making: Part Two," International Journal of Educational Reform, 2(4): pp.465-474.

<sup>44</sup>English, Fenwick W., Frase, Larry E., and Arhar, Joanne M., "Leading into the 21st Century," Guidebooks to Effective Educational Leadership, (Sage Publications Company, 1992, Newbury Park, Ca.), pp. 34-41.

Figure 6

## A Comparison Between Formal and Informal, Lateral and Vertical Decision-Making Options

	Vertical	Lateral
Formal	algorithms heuristics  flowcharts decision trees strategic planning	brainstorming morphology synectics force field analysis bargaining logrolling
Informal	management by exception	use of intuition, "hunches"

To sum up, decision-making is at the very heart of leadership.

Schools do a great many things, not all of them pleasant or uplifting. By looking realistically at what decision-making options are available for the given situation, you can improve all four principal phases of administrative decision making:

- Finding occasions for making decisions,
- Specifying possible courses of action,
- Choosing among courses of action, and
- Evaluating past choices.<sup>45</sup>

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<sup>45</sup>McNamara, James F., "Administrative Decision Making: Part Two" International Journal of Educational Reform, 2(4): p. 465.

## Key Decision Making Terms

Algorithms A rule or standard operating procedure often expressed mathematically.

Bargaining A search for agreement in which two parties must be satisfied to conclude the agreement.

Bounded rationality The idea that a human can never know everything there is to know about a situation, problem, or possibility and must therefore make decisions within a limited or bounded context; therefore no decision can ever be declared optimal.

Brainstorming A session with groups in which participants dream "out loud" and no criticism is permitted so that the most unique or innovative responses are elicited.

Force field analysis The creation of an imaginary space where options and choices are developed as contests of wills regarding acceptance or rejection or success or failure of a specific option or choice.

Heuristics Simple "rules of thumb" that reduce complex situations and choices to fewer choices or to "yes/no" contexts.

Intuitive decision making A decision making mode through which your mind processes part of all the information you possess automatically, quickly, and without awareness of any details.

Management by exception      A situation where rules and regulations are established, and management is involved only in making decisions regarding situations that do not fit them, that is, for the exceptions.

Morphology An approach to decision making that uses a structure or matrix to force the participant to consider unlikely and also potentially "innovative" combinations and possibilities.

Rational decision making theory      A search for the one "best" decision using "yes/no" logical models; this theory assumes that all the data necessary to obtain the "best" decision are available and that groups or persons will actually decide what is "best" based on reason alone.

Satisficing      A decision for a choice that is less than optimal.

Synectics      A structured form of brainstorming or free association of ideas centered on basic analogies.

Vertical decision making Closure on options in which the ability to proceed with any action is contingent upon a binomial model.



## **CHAPTER THREE**

# **PRESENTATION AND ANALYSIS OF THE DATA**

### **Initial Survey Results**

Initial surveys (See Appendix A) were sent out for two reasons: to gather general information about privatization practices in the greater Chicagoland area, and to utilize the information gathered to determine the final sample for this research. Initial surveys were sent to all 145 school districts in Cook County and to all 63 school districts in DuPage County totaling 208 surveys sent. 87 surveys (56 from Cook and 31 from DuPage) were returned. The 87 returned surveys represent 41.8%. 72 respondents (26 in DuPage and 46 in Cook) were superintendents (84%). The other 15 were either Business Managers or Assistant Superintendents for Business and Finance. 9 respondents (5 in Cook and 4 in DuPage) were females (10%).

Of the 87 who returned the survey, 67 (42 in Cook and 25 in DuPage) were Elementary Districts (77%), 13 (11 in Cook and 2 in DuPage) were High School Districts (15%), and 5 (1 in Cook and 4 in DuPage) were Unit Districts (6%). Of the 87 respondents, only 10 districts (8 in Cook and 2 in DuPage) indicated that they did no privatization of any kind (12 %). Of the 87 respondents, 77 districts privatized at least one service (88%). The greatest number of services privatized was 5 - only 2 districts, both in Cook County. Figure seven below breaks down the number of districts privatizing services as indicated by the 87 returned initial surveys. These figures are in keeping with the research literature which suggests that transportation, food services, and maintenance are key areas still being privatized.<sup>45</sup>

The initial survey (Appendix A) listed the top four services (highlighted in Figure 7) as check-off items. The remaining services listed in figure seven were cited by the respondents under "other services contracted."

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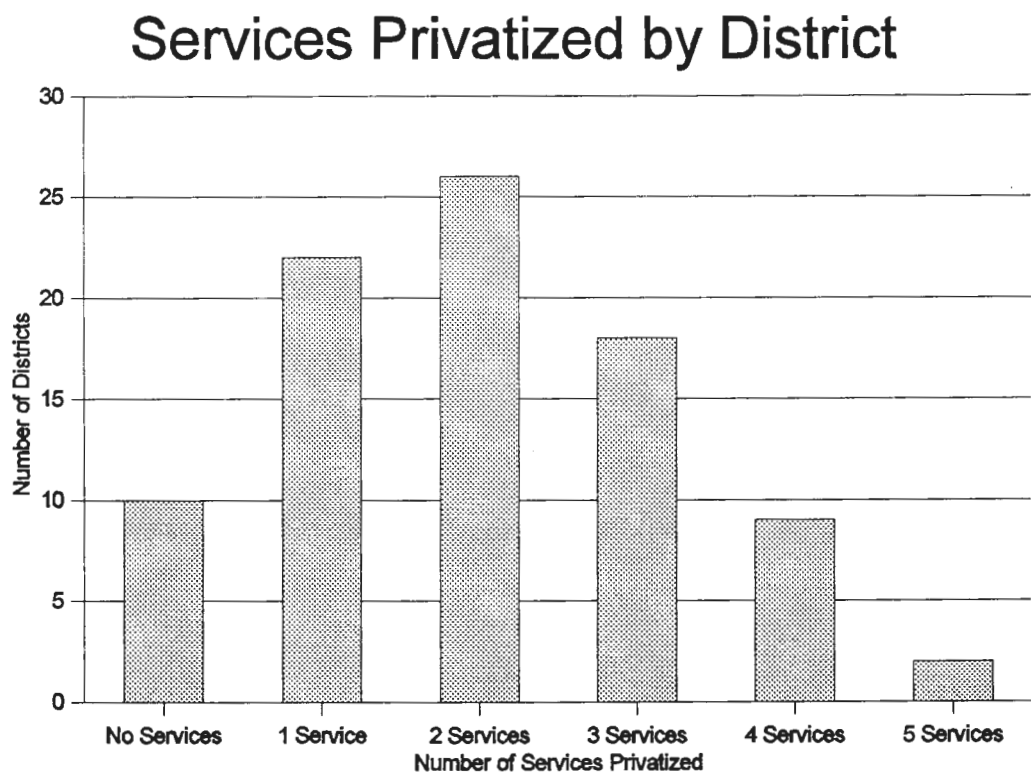
<sup>45</sup>Agron, Joe, "Homeward Bound," American School and University, (September, 1995): p. 28-31.

**Figure 7**

<b>Service</b>	<b>Number of Districts Privatizing</b>	<b>Cook</b>	<b>DuPage</b>
Transportation	63	41	22
Food Services	53	36	17
Maintenance	29	16	13
Security	12	10	2
HVAC	3	2	1
Painting	1	1	0
Copiers	1	1	0
Garbage	1	1	0
Computer	1	1	0
Lawn Care	1	1	0
Legal Services	1	1	0
Auditor Services	1	1	0
Childcare	1	0	1
Instruction	2	0	2
Psychologists	1	0	1
Social Workers	1	0	1
Special Ed. Services	1	0	1
Snow Removal	1	1	0

The number of services privatized by any one district varied from 0 to 5 (See figure 8). 10 districts privatized no services at all. 22 districts privatized only one service. 26 districts privatized 2 services. 18 districts privatized 3 services. 9 districts privatized 4 services and 2 districts privatized 5 services.

Figure 8



The responding districts varied in size from a 186 minimum to a 17,259 maximum enrollment (385 minimum and 17,259 maximum enrollment in DuPage and 186 minimum and 11,777 maximum enrollment in Cook). The average enrollment was 2,690 (2,957 in DuPage and 2,592 in Cook). The median enrollment was 1,910 (1,450 in DuPage and 1,750 in Cook). Figure 9 lists the specific data.

**Figure 9**

**Responding District Size**

Enrollment	Cook	DuPage	Combined
Minimum	186	385	186
Maximum	11,777	17,659	17,659
Average	2,592	2,957	2,690
Median	1,750	1,450	1,910

The assessed valuation ranged from a low of \$9,000,000 (Elementary District, enrollment 186, Cook County) to a high of \$5,248,858,128 (High School District, enrollment 10,718, Cook County). In DuPage, the assessed valuation ranged from a low of \$70,738,979 (Elementary District, enrollment 500) to a high of \$2,100,000,000 (High School District, enrollment 3,518). Cook County had both the low and high end

representing a greater range of district wealth than DuPage County.

50 out of the 87 responding districts (32 in Cook and 18 in DuPage) indicated willingness to participate in follow-up interviews (57.7%). Of the 50 districts indicating willingness to participate in follow-up interviews:

- ▶ 35 respondents (23 in Cook and 12 in DuPage) represented K-8 Districts (70%),
- ▶ 5 respondents (10%) represented Unit Districts (1 in Cook and 4 in DuPage),
- ▶ 11 respondents (8 in Cook and 2 in DuPage) represented High School Districts (23 %).

Figure 10 below shows that of the fifty responding "yes":

- ▶ 6 districts (3 in Cook and 3 in DuPage) indicated that they did no privatization of any kind,
- ▶ 12 districts indicated they privatized one service (8 in Cook and 4 in DuPage),
- ▶ 14 districts (11 in Cook and 5 in DuPage) indicated that they privatized 2 services.
- ▶ and 18 districts (12 in Cook and 6 in DuPage) indicated that they privatized 3 or more services.

**Figure 10**

**Number of Services Privatized by Districts Willing to Participate in Follow-Up Interviews**

	Total	Cook	DuPage
Willing Districts	50(35/5/10)*	32(23/1/8)*	18(12/4/2)*
No Services	6	3	3
1 Service	12	8	4
2 Services	14	9	5
3 or More Services	18(9/2/7)*	12	6

\* (Elementary./Unit/High School)

These eighteen districts were comprised of 9 elementary districts, 2 unit districts, and 7 high school districts. Of these 18 districts, those whose administrators (6) indicated only one or two years experience with

contracting were eliminated from the final sample. Follow-up phone calls were made to the remaining 12 districts. During these phone conversations, verification of the information contained on the initial surveys was attempted. Two more districts were eliminated because the administrators were no longer willing to participate in the qualitative interview.

Criteria to determine the final sample were established in Chapter One. By applying the criteria, the final sample was reduced from 208 initial surveys sent out to 87 surveys returned to 50 respondents willing to participate to 18 respondents eligible to participate based on number of privatized services criteria to 12 based on administrative years of experience criteria and finally to 10 because the districts declined the qualitative interview.

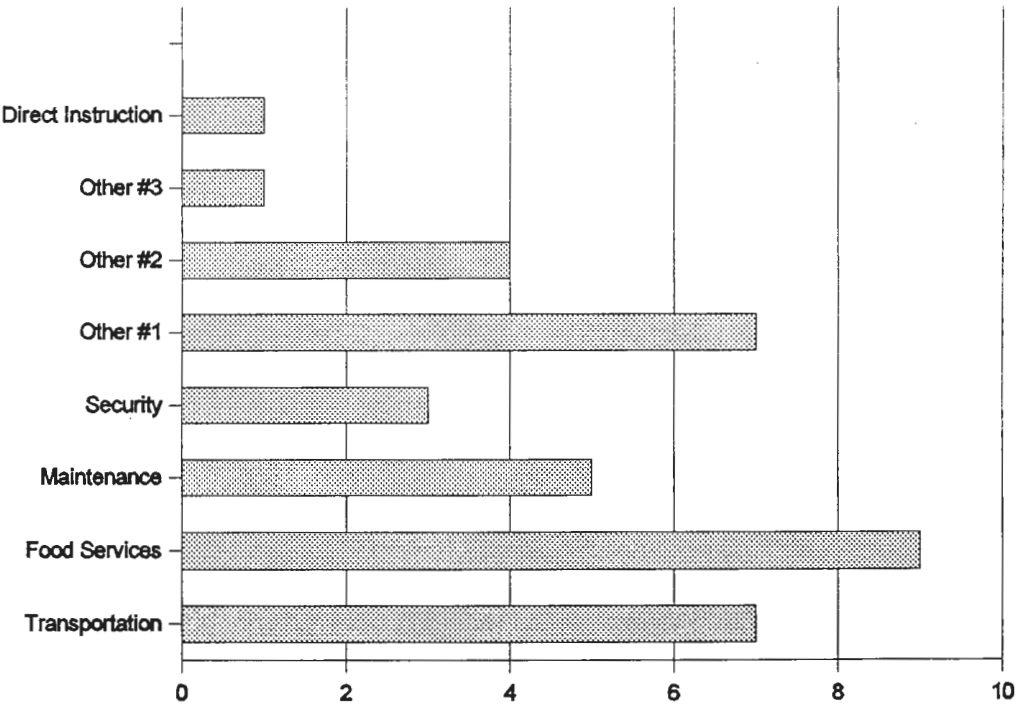
The final sample became 10 districts: 7 elementary (5 in Cook and 2 in DuPage), 2 high school (one in each county), and one unit district (in Cook County). All administrators in the final sample had 3 to 13 years experience with contracting out services in their present positions. All administrators in the final sample had 5 to 30 years experience as administrators.



Of the 10 districts in the final sample: 7 privatized transportation, 9 privatized food services, 5 privatized maintenance, 3 privatized security, 7 privatized at least 1 other support areas, 1 privatized direct instruction of students. See Figure 11.

Figure 11

## Areas of Services Privatized in Sample



## **Interview Schedule Data**

The data presented are organized and analyzed by the eight primary questions and their possible probe subsets of questions asked in the informal, open-ended, interview schedule (See Appendix B). The initial question in each set is general in nature by design. This question was so designed in order to allow the data to emerge freely from the interviewee. The subsequent questions in each set were designed to focus the interviewee toward offering data about the contracting experience that would detail the factors, rationale, strategies, and/or decision making processes employed. Several of the subset questions target identification of factors which either impeded or fostered the decision making process for privatization. Each administrator received a copy of the interview schedule prior to the interview. All were very cooperative and willingly shared verbal and written information. Six of the administrators prepared notes and compiled artifacts in preparation for the interview.

## **Responses by Question**

All administrators who participated in the study were guaranteed confidentiality and anonymity for themselves and their districts. Therefore, when necessary each administrator and his corresponding district are represented by a letter. The responses to the questions were compared, contrasted, and analyzed to find themes, patterns, categories, and

similarities. Many similarities, dissimilarities, and patterns emerged in the administrators' responses. Each set of questions, the data it generated, and an analysis follows.

**1. Describe the existing conditions in your district just prior to privatization.**

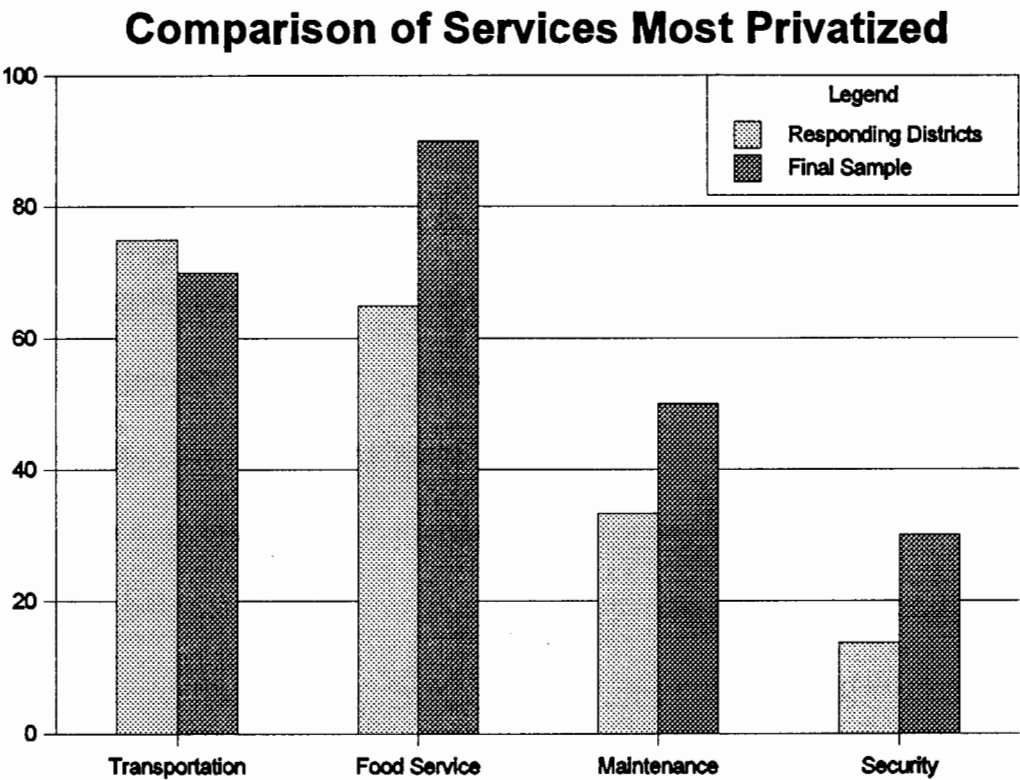
What were the leading factors in persuading those involved to look for alternative methods? What was the rationale for deciding to privatize?

Question set one was intended to provide a description of existing conditions in the district prior to the privatization experience, to identify any contributing or opposing factors, and to determine the rationale for the decision to privatize.

Transportation, food service, maintenance, and security were the four areas most privatized with:

- transportation being privatized in approximately 75% of the 87 responding districts and in 70% of the final sample,
- food service being privatized in approximately 65% of the responding districts and in 90% of the final sample,
- maintenance being privatized in approximately 33.3% of the responding districts and in 50% of the final sample, and
- security being privatized in approximately 13.7% of the responding districts and in 30% of the final sample. See Figure 12.

Figure 12



All the literature, both pro and con, suggests that the rationale for privatization should be to provide a service that meets the performance standards of the district in an efficient and cost effective way. While all superintendents interviewed said that they privatized support areas to get the district in a better financial picture, other factors were also discussed. These other factors helped to expose the rationale and strategies employed by the superintendents with regard to privatization issues.

The rationale to consider privatization stemmed from a variety of factors. Most superintendents were faced with financial problems caused by previous years of inefficient management of funds, increased costs, decreased funding sources, previous deficit spending practices, and/or tax cap limitations. One district was on the financial watch list when the superintendent was hired. Existing conditions which negatively impacted the education fund caused superintendents to review their respective budgets and target some area where they could effect a cost savings in some way. Any monies saved could be utilized in other areas of need or reinvested in the district. Superintendent B stated that publicity of the cost savings would improve the Board of Education and community perception of the superintendent. The superintendents related that if they were able to show that they were doing more with less, the community would be satisfied with their job performance in that one aspect of their responsibility.

The predesigned coding schema described in Chapter One was applied to the superintendents' responses to each question. Below is a list of factors which emerged from the qualitative interviews with the superintendents. Figure 13 shows the number of superintendents whose responses were categorized into the five factor areas. The factors which fostered the decision making process for privatization in response to Question One were:

- \* Finances,
- \* Improvement of existing services/conditions,
- \* Personnel/union issues,
- \* Neutralization of complaints from the community, board, students, staff, and/or parents (Neutralization of complaints), and
- \* Community/Board member perceptions.

**Figure 13**

<u>Factors</u>	<u>Responses Citing Factor</u>
Finances	10
Improvement of services/conditions	6
Personnel/union issues	4
Neutralization of complaints	2
Community/Board member perceptions	2

Clearly, the factors which most influenced the superintendents were finances and improvement of services. In his article, "Weighing the Contract Option," Dervarics cites Bob Honson, nutrition services director for the Portland, Oregon Schools. Bob also serves on a panel for the American School Food Association (ASFSA) that helps struggling districts look at alternatives to contracting before making a decision. Bob Honson says, "There's so much going on between a lack of money, federal regulations, and parent expectations that many districts " decide to focus on education and let someone "else do the rest." These statements concur with a few of the emerged factors listed above.<sup>46</sup>

The Bank of America Corporation also lists four factors which change the ways companies operate with respect to privatization. These factors are: cost constraints, technology, relationships, and service. Cost constraints and service directly apply to education also.<sup>47</sup>

Some of the content of the interviews with respect to the area of transportation is reported below to further illustrate strategies employed by superintendents. All superintendents were able to talk about the history of the district prior to their arrival. Seven of the ten districts privatize

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<sup>46</sup>Dervarics, Charles, "Weighing the Contract Option," American School Board Journal, Vol. 180, No. 9, Sept., 1993, p. 42.

<sup>47</sup>Author unknown, BankAmerica Corporation, "Outsourcing in the '90s: What Corporate Treasuries Should Know," 1996, pp. 1-3.

transportation. Those seven superintendents said that transportation was already contracted when they took over the district. They indicated that their constituencies were happy with the transportation service. These superintendents held a kind of "If it isn't broken, why fix it?" attitude. The bus service in these districts continued in the same manner in which it existed upon their arrival.

Of the three remaining districts, all three superintendents studied the question of privatizing transportation services. All three found that privatizing transportation would not be cost effective for them at this time.

Superintendent C said that although he had checked into transportation, it was not cost effective for his district due to the small enrollment and the small geographical size of his district. He also added that there was not much reimbursement forthcoming as his district did not contain many unsafe crossings, railroad tracks, etc. He stated that the district owned its own buses and that the transportation fund carried a positive balance, so the need was not there to privatize for that service. Superintendent C clearly utilized a classical, vertical decision making procedure. He studied the issue, analyzed the data in a logical, sequential manner and arrived at a conclusion. The conclusion was his and his alone. He presented the information to his board in much the same manner stated above and his board agreed to continue maintaining district owned and operated buses.



Superintendent J said that the district owned its own buses, also. He reported that he received numerous complaints about the bussing. He said that many complaints were made to the board members. He said that he would "like to get out of ownership of the transportation service." In the interview with Superintendent J, he retold how he formed a committee to research the possibility of privatizing transportation and utilized a step by step decision making process so that he could attempt to influence the board with the results of the fact finding committee. Among the major facts presented were:

- The committee took bids and bid specifications from the various bus companies.
- The committee felt that it would not be cost effective because the district utilized the buses for many field trips including long distance trips and overnight trips for various high school organizations.
- The community expected free busses for extra-curricular activities.
- Privatizing transportation would cut jobs held by community members.
- District run transportation was a tradition in this blue collar community.

The committee decided against privatizing transportation. Their rationale was that the cost of extra bus usage trips, not the daily to and from bussing, put the cost of privatizing transportation out of reach.

The superintendent was not able to persuade the committee of other ways of funding the extra-curricular trips, such as a direct charge to the students involved or fund-raising by the organizations involved for the costs.

Superintendent J admitted that this strategy was a ploy to begin to persuade the board that privatization was a viable alternative to district owned and operated transportation. He also admitted that as a proponent of privatization, he would like to "eliminate the headaches from parents about buses." He stated that his transportation committee was still intact and was scrutinizing the situation on a continuing basis.

Superintendent J purports to be acting in a traditional, vertical decision-making mode. In reality, he already knows he wants to privatize transportation and is utilizing this fact finding committee component of a shared decision making model as a strategy to influence his board. Whether or not the board saw through his strategy, he was unable to get board approval to privatize transportation at that time. By continuing the committee, he has the transportation issue on the burner at all times. The ability to refer complaints to the committee frees him from some of the pressure of the busing complaints. He can direct the complainers to the committee who, in turn, pressures the board.

Superintendent I also has checked into bids for transportation. He operated in much the same manner as Superintendent J. He organized a committee to research the transportation issue. He reported that his

committee looked at the total cost of the operation. He stated that he anticipated \$661,000 revenue to operate the district run transportation service. He further reported that the committee formulated a list of the services presently offered by the district including the costs of operating those services, such as salaries, benefit, bus parts and repairs, etc. This list, together with another list of concerns, was used to compare the vendor generated costs of providing transportation for the district. He reported that the lowest vendor bid was approximately \$719,000. Privatizing transportation would cost the district an additional \$48,000. The committee and he concluded that privatizing transportation was not cost effective at this time. He stated that the district buses were in good repair and that the transportation fund balance was positive. He also said that while he did not feel a need to privatize transportation, the committee exercise strategy was a good way for "the community to see that he was doing a good job."

Superintendent I gave some insightful statements about privatization of maintenance/custodial service. He stated, "Existing conditions in the district force the superintendent to act. If the community perceptions are that you're spending too much, then you must compete to change those perceptions." For example, a custodian in the district was receiving a base salary of fifty-five thousand dollars a year. The man had been with the district a long time and had received many salary increases due to longevity. He was a good worker, but the salary was out of line with other salaries in

the district. Upon analysis, the entire custodial group was being overpaid for the job being done. The community felt that the district was spending too much. The superintendent competed by privatizing the custodial and maintenance work. In so doing, he effected a cost savings to the district of \$300,000. The custodians were given the opportunity to continue in their jobs, but now for the contracted company with a salary range from \$28,000 to \$32,000. According to Superintendent I, there were some headaches in the process, but the end result, the community perception that the he was doing a good job, was worth the headaches.

With respect to the area of food services, three superintendents recounted how they either did not provide food service or how they temporarily closed down their existing district food service. Superintendent I does not provide food services for grades Kindergarten to six. The district operated food service is only at the junior high school. The cost of operating a district run food service for the other four elementary schools is prohibitive since the schools would have to be equipped with kitchens, personnel, and the proper equipment. The students must "brown bag" their lunches to school. At this point, the superintendent has not been able to convince his board to privatize food services. The board and the community are aware of the district's finances and have accepted this procedure. The superintendent and the board have continued to operate in this manner. The community has not made an issue of providing hot lunches to the

elementary school children.

Both Superintendents A and C temporarily closed down food services. The district operated food services could not continue to operate due to needs for kitchen rehabilitations and food service costs being subsidized by the education funds. Both districts provided food services the following year by privatizing that service.

District A spent \$225,000 to provide a district operated food service. The year one privatized cost of operating that same service was \$199,685. Privatizing food services netted the district a savings of \$25,315 in year one. Superintendent A said that the district has continued to realize a savings due to lower salaries, no Illinois Municipal Retirement Fund (IMRF) payments, and no health insurance or other "benefit package" costs.

Superintendent B reported that he currently saves \$1,200 per month by privatizing food services or \$10,800 per year. When further probed, Superintendent B reported that he privatizes food services only for those students approved for the Free Lunch program. Students not eligible to receive free or reduced lunch "brown bag" their lunches.

Superintendent C reported that the district spent \$225,000 per year to run a district operated food service program. Privatized food services cost the district \$22,000. The district realized a savings of \$203,000. The superintendent stated that lower wages, no Illinois Municipal Retirement Fund payments, and no benefits package payments were the reason for this

savings.

Figure 14 below presents the strategies that the superintendents utilized to try to influence their boards whether or not to consider privatization and the number of superintendents' responses which could be categorized into the listed strategy. The portion of anecdotes reported above were selected to illustrate some of the emerged strategies listed in Figure 14. The selected anecdotes do not represent all the support areas of which the superintendents had occasion to consider for privatization. As stated earlier, the initial decision to consider privatization was reported by all 10 superintendents as being made by the superintendent alone. The strategies listed in Figure 14 reflect those strategies the superintendents utilized to attempt to influence their boards.

**Figure 14**

<b>Strategies cited in response to Question 1</b>	<b># of Responses</b>
Leave well enough alone	7
Use committee to research	4
Cost comparison by superintendent or designee	2
Bring in outside "expert"	2
Refer complaints to committee	2
Use committee to pressure board	3
Get bids from vendors	3
Temporarily close down or withhold services	3

## **2. How did the initial decision to privatize occur?**

Who were the key people involved in the initial decision to privatize? What roles did they play in that decision making process? What were the expectations of the Board, community, staff, and administrators? Did the privatization experience fulfill those expectations? How did those not involved in the decision making process ( community, staff, and administrators) react?

Question Two and its possible probe subset questions were designed to further elicit any factors which fostered or impeded the privatization process, and to further delineate any rationale, strategies, and/or decision-making processes employed. The coding schema was again applied and the following factors emerged in response to question two. Figure 15 reflects the number of superintendents whose responses were categorized into the emerged factors cited below:

- Finances,
- Improvement of services,
- Personnel/union issues,
- Neutralization of complaints,
- Politics/personal ties/hidden agendas,
- Quality of service over cost of service,

- Parent expectations,
- Lack of district expertise in service area, and
- Lack of time/personnel to effectively run support area by district (job overload).

**Figure 15**

<b><u>Factors</u></b>	<b><u>Responses Citing Factors</u></b>
Finances	10
Improvement of services	2
Personnel/union issues	6
Neutralization of complaints	5
Politics/personal ties/hidden agendas	5
Quality of service over cost of service	1
Parent expectations	4
Lack of district expertise in service area	2

The key people involved in the decision to privatize were the superintendent and the board members. Committees, experts, vendors, and others all played minor roles in persuading the board to privatize. All the superintendents interviewed said that the initial decision to privatize came from them. Having decided to consider privatization, the superintendent orchestrated the process by setting the possibility in motion. The superintendent shared the concept of privatizing a support service with the board.



Several of the strategies employed were reported under Question One. The data are reported under the question which generated the particular data responses from the superintendents. Some of the data overlap the question areas. In order to produce an item by item analysis, the data are reported, analyzed, and coded into factors and strategies as they were recorded during the interview sessions. The following narrative is placed under Question Two because Superintendent B gave it in response to Question Two. Some of the focus of the superintendent's response really addresses Question One, but he cited it as an example of the key people involved and how he was able to get their support.

Another strategy used to persuade the board members about privatization (pro or con) was to educate them. Superintendent B (and five other superintendents) actually educated the board members about cost effective ways of doing things.

Superintendent B said that deficit spending in the Education and Operation and Building Maintenance Funds when he took over the district caused him to do a line-item by line-item review with his board to explain all contractual obligations. He said that he conducted a cost comparison of all contractual services the district held upon his promotion to the superintendency. He compared the current cost to the district against other vendor quoted bids for the same service and against the cost of the district operating those services. He stated that he networked with other

superintendent colleagues whose districts operated the services he had targeted to determine an estimate of what district operated services would be for the purposes of his cost comparison. He stated that those contracted services operating at a cost less than the compared alternatives were slated to proceed as contracted services. However, any services operating at a cost greater than the compared alternatives were slated to be changed.

The board took about one year to be convinced that they had done the "right thing." The board expected substantial savings for the cuts that were made. The staff had a "We'll see" attitude. As the board realized that it did in fact save and as the savings were shared with the community, the board became increasingly more supportive of the superintendent, his management style and operational plans. Superintendent B admitted that getting the board to buy-in to a change in a contractual service is difficult.

Superintendent A also agreed that the initial decision to privatize was his. He added that the hardest part in getting through the privatization process was orchestrating things so that he could show the board that money was being lost and monies that were slated for instruction had to be diverted to pay for food services. In his situation, the district ran a hot lunch program that was losing money. The Education Fund was being used to subsidize the cost of the lunch program. Once the board members understood the concept, they were supportive of the superintendent and decided to privatize.

The expectations were that the district would save money and improve service. The company selected the first year was the lowest bidder and did not fulfill the expectations of the community and the board in terms of service and quality of product. Volunteer mothers who helped supervise children in the lunchroom complained about the quality of the food their children were receiving. The superintendent and the board received complaints about the quality of the vendor's personnel (late, dirty, drunk, and screamed at the children). The superintendent said that he had to spend time dealing with these complaints almost daily. He reported that he and the staff did not have many complaints. He reported that he and the staff did not notice the negative qualities, but the complaints came in anyway. The vendor was changed the second year. District A has now contracted with the year two vendor for six years and has been extremely satisfied.

Interestingly enough, the year one vendor in District A who was replaced is the vendor preferred by one of the other districts included in this dissertation. Superintendent C's district thinks very highly of this vendor and even had a letter of recommendation from his district in the presentation binder that the vendor company produced for districts considering privatizing food services.

The following narrative could also be placed in Question One based on the focus of the superintendent's response. However, Superintendent F gave it in response to Question Two to illustrate how the initial decision to

privatize occurred and who the key people involved were.

Superintendent F stated that complaints from students, staff, and parents about food services prompted him to orchestrate privatization of food services. He went about the privatization process in much the same manner as Superintendent A. He made the board members aware that the district was losing monies in the Education Fund to subsidize the cost of the food service program. He accepted bids and bid specifications from the various vendors. A major difference was that he allowed the employees to vote on which vendor they would prefer. The employees overwhelmingly chose one vendor. The board was informed of the staff input. The board has the authority to select and approve a bid for contract. The board approved the teachers' choice of vendor - the same one that District A chose in year two and has kept since then.

The district food service employees were given the option of retaining their positions as employees of the vendor (not the district) or leaving. No arrangement for continued payment of IMRF, like District A had, was made. Lack of consideration for the district food service employees impacted the district with staff and morale problems for the school year and even for a few years thereafter. The staff and morale problems were created by the perception of the remaining district employees with regard to job security. In one contract, the district had just eliminated all district food service positions without regard to previous years of service, continuity of benefits,

and related concerns. However, everyone was happy with the choice of vendor. The staff morale problems have resolved themselves over the last eight years and the district is operating the food service program at a profit. This particular vendor guarantees a profit. Superintendent F agrees that lower wages and no IMRF payments are the two main reasons why food service privatization is cost effective. Superintendent F reported that the district operated food service program cost was \$540,000 versus a privatized cost of \$360,000. This switch to privatization generated a \$180,000 savings to the district. Superintendent F states that the only criticisms which have surfaced in recent years have been of a recycling nature. Students, parents, and staff have mentioned that the food service vendor produces a lot of waste with nonrecyclable materials such as styrofoam.

In summary, the initial decision to consider privatization was the superintendent's. The key people involved in the decision to privatize were the superintendent and the board members. Committees, experts, vendors, and others all played minor roles in helping the superintendent persuade the board to privatize. If the superintendent did a good job of preparation and orchestration, the privatization process continued to the end he wanted. If he was not prepared for all possible obstacles encountered, the process became stymied and did not produce the end result he wanted.

Generally speaking, ( 9 out of 10) superintendents were able to convince their boards to privatize a support service based on the expectation of improved service at a reduced cost. 9 out of 10 superintendents reported that a cost savings was effected through privatization of the support area. See Figure 16. At times vendors had to be changed, but all superintendents stated that, ultimately, the expectations of the board, community, staff, and administrators were met and satisfied.

Figure 16

Dist.	Transportation	Food Service	Security	Maintenance(1)
A	D ++ P \$172,000	D \$225,000 P \$199,685	**	**
B	D ----- P \$180,000	D \$18,000 P \$7,200	**	D \$90,000 P \$75,385
C	**	D \$225,000 P \$22,000	**	D \$325,000 P \$134,000
D	D \$300,000 P \$275,000	D \$225,000 P \$175,000	D ++ P \$12,000	**
E	D ----- P \$210,415	D ----- P \$197,886	D ++ P \$7,000	**
F	D ----- P \$1,083,014	D ----- P ##	D \$360,000 P \$315,000	**
G	D ----- P \$707,992	D \$675,000 P \$502,149	**	**
H	D ----- P \$900,000	D ----- P \$450,000	**	D \$800,000 P \$525,000
I	**	**	**	D \$600,000 P \$300,000
J	**	D \$500,000 P \$385,000	**	D \$950,978 P \$602,587

- (1) Maintenance figures represent costs for custodial/cleaning services.  
D District operation  
P Privatized service  
\*\* Not an area privatized  
----- Superintendent did not know comparison figure  
++ Never a district operated service prior to privatization  
## Food Service collects all revenues from sales and expends all monies arrangement with district. Figures not reported to or by district.

In Figure 16, superintendents reported that the district had such a long history of privatization of transportation that they did not know what the district operated costs were. Also, as previously detailed in the narrative, Superintendent I reported district operated transportation costs as \$661,000 and privatized costs projected to be \$719,000. Districts which paid lower wages than a service provider's wages, were not unionized, or had other community issues about employing community residents did not privatize one or more of the support services.

Superintendent B reported a \$3,000 privatization cost for the area of security. Superintendent B said that this amount was for costs relating to an alarm system. He added that he did not consider an alarm system to be a privatized service.

Superintendent C was asked about the large disparity in food service costs reported. He responded that the realized savings resulted from lower wages, no IMRF payments, no benefits package payments, no Workmen's Compensation payments, and no negotiations expenses. Although the difference in costs for food services for District C appears disproportionate, the figures are reported accurately.



Figure 17 below presents the strategies which emerged from Question Two responses with the number of times superintendents cited a response able to be categorized into the strategy listed. The strategies cited in Figure 17 were derived from the superintendents' responses to Question Two. As previously noted, parts of the superintendents' responses focused on aspects of Question One. The data , however, were reported, coded, and analyzed based on the responses as they were given by the superintendents in the interview sessions in order to produce an item by item analysis. The data were not moved across Questions to a more seemingly appropriate placement in order to ACCURATELY report the findings as they were generated.

**Figure 17**

<b>Strategies cited in response to Question 2</b>	<b># of Responses</b>
Leave well enough alone	2
Cost comparison by superintendent or designee	7
Get bids from vendors	6
Use employee vote as input to board	1
Educate board	6
Use "superintendent network"	6
Change the vendor	2
Get building principal input	1
Board members "sold" at conference	4
Monthly reports to board about condition of support area being considered	2
Make arrangements for long-standing employees	2

### **3. Describe the procedure you followed in contracting.**

Was any research done prior to the decision to privatize. If so, briefly outline what was learned and how. Was any formal process utilized when securing bids from the different vendors? What method was utilized for comparing the services offered by the different vendors? Who was responsible for the final selection of a vendor? What rationale was used to make that final selection?

Question Three and its possible subset questions were designed to elicit any factors that fostered or impeded privatization which surfaced during the process employed to secure bids and select the vendor. It was also designed to further allow any other strategies, rationale, or decision making processes employed by the superintendents to be cited.

The coding schema was again applied and factors emerged with respect to privatization. Figure 18 displays the number of superintendents whose responses were categorized into the factor areas in response to Question Three. Factors have repeated themselves over the span of the interview questions. These repetitions as well as the nonrepetitions are

addressed at the end of Chapter Three. Listed below are the factors for Question Three:

- Finances,
- Improvement of services,
- Personnel/union issues, and
- Politics/personal ties/hidden agendas.

**Figure 18**

<u>Factors</u>	<u>Responses Citing Factor</u>
Finances	8
Improvement of services/conditions	2
Personnel/union issues	8
Politics/personal ties/hidden agendas	8

All superintendents reported that research was done prior to the decision to privatize. However, when asked about the process, no superintendent was able to give any evidence of research. All ten superintendents considered the research to be the three vendor originated bids and corresponding presentation binders for their services to be research. Additionally, six superintendents talked about the "network of superintendents" with whom they consulted about privatization services. These six considered the "superintendent network" to be research. While

true that the opinion of a respected colleague is valuable, the choice of vendor which satisfies the needs of one district will not necessarily meet the needs of another district. Superintendent A's food service vendor choice for year one meets the needs of approximately 34 districts, yet, clearly did not meet the needs of his district.<sup>48</sup>

Superintendent A reported that the final vendor (year two) for food services was the same vendor as his neighboring elementary district. Since both districts are in the same village, the "community gossip" which occurs over fences, in back yards, at little league games, and other community gathering occasions helped spread the perception that the year one vendor was unsatisfactory resulting in a change of vendor for year two.

Superintendent C said that his food service vendor was selected because of good references, also. This vendor was in the high school district which District C students ultimately attend.

All superintendents stated that the formal process utilized to secure bids from different vendors was to ask the vendors to bid out the services. The vendors then prepared a presentation binder which is designed to "sell their service."

Superintendent D provided three such proposal/presentation binders complete with bid specifications for his district. The vendor binders

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<sup>48</sup>1996 Food Service Proposal binder artifact citing current client list for references prepared for District I.

reviewed all had approximately ten sections detailing their companies, what they offered, a client list (including letters of recommendation from other districts who currently utilize the service), the company training procedures, menus, communications, exhibits, and marketing plans. All proposals reviewed were very detailed and personalized. All proposals reviewed offered options to the district. The vendors do all the work for the district in terms of writing any and all contract language. The district has only to sign on the dotted line. All the paperwork is done and ready for the district in a state approved format by the vendor.<sup>49</sup>

All superintendents reported that while the vendor does all the preparatory work as stated above, their experience has led them to modify what the vendors offer before signing the contract. These modifications were the result of legal, staff, and quality issues which are treated throughout this chapter.

All superintendents stated that their boards made the final selection. Superintendent E, however, said that the letters of recommendation and current client list in the vendor proposals allowed him to consult with his colleagues to see how the food service programs were working in their districts. Eight of the nine superintendents whose districts contracted food services worked with their board members prior to the board meetings to

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<sup>49</sup>Food Service Proposal binder artifacts were from Marriott, Arbor, and Quest, (1993), prepared for District D.

get approval of the vendor of their choice based on whatever knowledge the superintendents had gleaned from the "network of superintendents." Four of the nine superintendents reported that a common strategy was to have one or several vendors make a presentation to the board itself.

Superintendent H stated that he invited three custodial service providers present to the board. He added that the vendors told the board members what their services could do, presented references from other clients, described the quality of their employees' work, quoted prices, and basically tried to "sell the board" on their services. He also reported that the vendors allowed and encouraged the board members questions.

Figure 19 below presents the strategies the superintendents utilized with respect to privatization and the number of superintendents whose responses were able to be categorized into the strategy. The strategies listed in Figure 19 were categorized from the superintendents' responses to Question 3. These strategies may or may not relate to strategies previously mentioned. Superintendents sometimes referred to examples of situations previously reported and then added more information as they responded to the new question. Sometimes superintendents cited an experience not previously cited in response to the new question. As previously mentioned, the data responses of the superintendents were not moved across the Questions. The data generated by the superintendents' responses to each question were recorded, coded, analyzed, and reported for the question set

that generated that data response in order to produce the this item by item analysis.

**Figure 19**

Strategies cited in response to Question 3	# of responses
Cost comparison by superintendent or designee	6
Get bids from vendors	10
Network with superintends	6
Work with board members in committee or closed session prior to vote	10
Conduct a survey/needs assessment	2
Utilize formal presentation to board by vendors	4

4. Did political/societal trends play a part in the decision making process?

Do any other government bodies in your community privatize? Did their experiences with privatization influence the district decision? How? Is there a relationship between the governmental bodies in your community? Did any unanticipated outcomes arise?

The popularity of privatization began with Margaret Thatcher's push to privatize many of Britain's government controlled industries. Former President Reagan then jumped on that bandwagon and actively supported privatization. President Reagan's attempt to woo "white, southern voters....called for slowing the racial integration of public schools in the South by providing school choice options for parents. These options

included vouchers to attend public schools," and a reduction "...in government regulations that impede the will of a free market." <sup>50</sup>

Although voucher systems and other educational choice programs are beyond the scope of this study, they are forms of privatization if we accept Lieberman's definition. He states that privatization means transferring activities, functions, or services generally performed by public employees to the private sector.<sup>51</sup>

In 1991, President Bush suggested the private choice option in which state vouchers can be used to buy private education with public funds. At that time 37 states had considered public choice bills and 11 had passed bills allowing some form of public choice within the states.<sup>52</sup>

During the October, 1996 Presidential debates between President Clinton, who was on record as opposed to the voucher system, and Bob Dole, who favored the voucher system, President Clinton stated 3 times that voucher plans ought to be determined by states and localities. The president appeared to have softened his stand on public choice programs by stating that the decision is a local matter rather than denouncing local voucher

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<sup>50</sup>Brown, Frank, and Hunter, Richard C., "The Privatization of Public Education: What Do We Mean?", School Business Affairs, May, 1996, Volume 62, Number 5, pp. 6-7.

<sup>51</sup>Lieberman, Myron, (1989). Privatization and Educational Choice, New York: St. Martin.

<sup>52</sup>Hakim, Simon, Seidenstat, and Bowman, Gary W. (1994). Privatizing Education and Educational Choice, Westport, CT.: Praeger Publishers, pp. 1 - 15.



efforts. In fact, President Clinton had just signed the final fiscal 1997 spending bill on September 30, 1996. This bill, also known as the omnibus appropriations bill, increased federal funding to public charter schools 183%.<sup>53 54</sup>

All the above cited factors certainly demonstrate a political trend towards privatization not only in the traditional support areas, but also in the most controversial area of educational instruction. The privatization movement which began in the seventies and eighties has continued to gain a favorable perception across the United States.

Question Four was designed to elicit any factors which impeded or fostered privatization which surfaced due to political and/or social trends in the community. The superintendents did not respond to the trend issue even after they were asked several probing questions. All 10 superintendents' responses revolved around local politics and most (7) were not very involved with other political organizations in their communities as is detailed in the narrative to follow. The superintendents' responses were recorded, coded, analyzed and categorized. The factors listed below emerged from the superintendents' responses:

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<sup>53</sup>Pitsch, Mark, "Clinton Position on Private Vouchers Debated," Education Week , Vol. 16, No. 7, Oct. 16, 1996, pp.19-26.

<sup>54</sup>Jennings, Jack, and Rentner, Diane Stark, "Educators Triumph: Efforts for Increased Funding Succeed," Phi Delta Kappa Washington Newsletter, Vol. 6, Issue 2, Winter, 1996.

- Finances,
- Personnel/union issues,
- Politics/personal ties/hidden agendas,
- Intergovernmental relationships,
- Timing,
- Community/societal influences.

Figure 20 represents the number of superintendents' responses in each of the factor areas.

**Figure 20**

<u>Factors</u>	<u>Responses Citing Factors</u>
Finances	3
Personnel/union issues	1
Politics / personal ties / hidden agendas	10
Intergovernmental relationships	3
Timing	1
Community / societal influences	4

The data responses generated in answer to Question 4 produced only three superintendents' responses which could be categorized into the finances factor. Question 4 was designed to focus on political/societal trends and politics. Question 4 and its subset questions did not focus on cost factors per se. The financial factor was able to be categorized due to the superintendents' responses who detailed benefits derived from political

ties. Much of the responses are reported in the following narrative including some of the cost and financial concerns.

All superintendents agreed that any decision to privatize is political in nature. While all superintendents claimed a relationship with the other government bodies in their communities, when probed further three were not able to give evidence of this claim. All superintendents said that the privatization practices of the other government bodies had little influence over their decisions. Yet, interestingly enough, all ten superintendents said that politics and/or personal ties were a factor in the decision to privatize. Furthermore, three superintendents were able to substantiate intergovernmental relationships with the other taxing bodies in their communities.

The relationships that exist among the various taxing bodies provide societal influences and timing opportunities the district can utilize when trying to compete in a cost effective way. For example, District I has been very active in the I Intergovernmental Group (I.I.G.). An intergovernmental group was created by the joining together of the five taxing bodies in this community. The forming of the I.I.G. was an involved process whereby each of the five taxing bodies (public library, public park district, high school district, elementary district, and village) met and drafted an initiative. The purpose of the initiative was to strengthen the economy of the community, to entice young upwardly mobile married couples to buy real estate in the

community, and to curtail the movement out of the community. The group directed by an outside facilitator held at least four strategic planning sessions. The strategy was to try a "one/two punch, one being housing and two being schools." All five taxing bodies pledged to support this initiative with dollars. The end effect for the school district of this effort was a revenue increase of approximately \$315,000 a year for three years from the other four taxing bodies. This money was utilized to pay for privatized technology services to bring the district to state of the art status. The contract provided each of 5 district buildings with a satellite dish installed on the roof of the building and complete wiring throughout the building so that the dish could be used for distance learning situations. Additionally, this money was utilized to return 7 previously cut positions in the areas of fine arts, gifted, physical education, and library media.<sup>55</sup>

While some aspects of the above I.I.G. liaison are beyond the scope of this study, relationships between government bodies do exist. Since the technology privatization project was funded by the other four taxing bodies in the I.I.G., approval of the other four taxing bodies had to be garnered. The fact that privatization practices were already being utilized by other government bodies in the community helped the school district sell the project without also having to sell the idea of privatizing services.

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<sup>55</sup>I.I.G. Initiative document artifact, 1996.

As stated previously, while all superintendents claimed a relationship with the other government bodies in their communities, three of the ten superintendents interviewed did not document or discuss any intergovernmental ties. The other seven superintendents said they had established good rapport with the various organizations in their communities and felt that the relationships became closer and therefore more beneficial as the groups worked together. When probed further about benefits derived from political intergovernmental ties, only three of the superintendents were able to give specifics. Superintendent B had his lawns maintained by the park district. Superintendent I and Superintendent J had actually formed formal organizations with the other taxing bodies in their respective communities. These intergovernmental organizations had regularly attended meetings, strategic planning sessions, and resolutions enacted which benefitted the subscribing school districts. However, Superintendent J did not produce any evidence of meetings or benefits derived from this affiliation. Superintendent I whose district reaped the benefits of technology privatization produced the I.I.G. document.

Superintendent C talked about the night the board voted to privatize cleaning services. He reported that cleaning services were privatized in the late seventies. The then current district operated custodial crew was talking about unionizing. The board members came to the board meeting not prepared to talk about privatization of cleaning services. Neither privatization

or maintenance were on the board agenda. A discussion about unionization somehow surfaced. The current board members were anti-union. The board went into closed session to discuss personnel matters. When the board came out of closed session, they voted to contract out the cleaning/custodial services.

The rationale was to avoid unionization and minimize maintenance costs, although the superintendent reported that no board minutes or any other district document reveals that rationale. The superintendent clearly recalled and retold the events of this emotional board meeting because, at the time of the board's vote to contract cleaning services, the current superintendent was the district's business manager. Those board members felt that unionization would limit their authority and increase costs to the district. The superintendent stated that a cost savings was effected by this move toward contractual services. He reported that the district spent \$325,000 per year to operate an "in-house maintenance service." He further added that the privatized cost was \$134,000 for the first year netting the district \$191,000 savings in the maintenance area alone. The superintendent stated that the district still privatizes custodial services. He said that the meeting was very emotional with many tempers flared because of employment. Nonetheless, the district did what it felt needed to be done in order to operate in a cost effective manner and maintain control over its employees. The superintendent reported that sixty per cent of the custodial

workers remained in the district, but now worked for the contracted company and not the district.

In response to the unanticipated outcome subset question:

- Four superintendents stated that their relationships with other taxing bodies in the community "became closer" or "improved" as the district worked together with the other organizations in an effort to maximize or share resources,
- Three superintendents reported that the district's relationship with the village had become somewhat strained because of various Tax Increment Financing (TIF) exemptions the villages had awarded, and
- Three superintendents did not comment one way or the other.

In summary, superintendents were either unaware of the political/ societal trends influencing privatization efforts or chose not to comment as previously described. However, community politics and community social climate play a major role in the perceptions the community members hold of the school district. Although ten superintendents claimed a relationship with the other government bodies in their communities, only seven superintendents gave responses linked to any political ties, only three actually were able to derive any extra benefit for the district from the strong ties claimed, and only two were able to produce evidence of a privatized service derived from those political ties.

As stated previously, some of the anecdotal is provided to illustrate some of the strategies. Superintendents utilized some of the same strategies in response to more than one Question which is reflected in the charted information presented below. Figure 21 below presents the strategies superintendents cited in response to Question 4. Although the "Use relationships with others to influence board" strategy may appear to be more appropriately placed elsewhere, as stated previously, the data responses of the superintendents were not moved across Questions. The data were recorded, coded, analyzed, and reported under the question which generated that data response from the superintendent.

**Figure 21**

<b>Strategies cited in response to Question 4</b>	<b># of responses</b>
Use outside "expert"	4
Use unexpected closed session strategy	1
Form organizations with other taxing bodies to influence and/or fund privatization	3
Use relationships with others to influence board	4

**5. Does the contracted service meet the needs for which you hired it? Why?**

How did the performance of the new provider compare to the performance of the previous provider? Explain. Are there any aspects of the service you would change? What and Why?



Question Five and its possible probe of subset questions were designed to elicit factors, strategies, and/or rationales which surfaced after the privatization process was complete. They were also designed to garner information about the improvement of services factor of the privatization experience.

Some of the anecdotal is also provided after the listing of the factors to strengthen and support the findings. The anecdotes and recommendations of the superintendents are also provided as additional information about the improvement of services aspect of this part of the privatization process. The recommendations are not offered as an implementation plan for privatization, but rather as supplementary information to be aware of for anyone considering privatization. Whether or not these recommendations are generalizable to all areas of privatization is beyond the scope of this study.

The superintendents' responses were again coded and categorized. Five factors were identified. Figure 22 reports the factors that emerged from the responses and the number of superintendents whose responses associated with the each emerged factor. The factors were:

- Finances,
- Improvement of services/conditions,
- Personnel/union issues,
- Neutralization of complaints, and

- Legal issues.

**Figure 22**

<u>Factors</u>	<u>Responses Citing Factor</u>
Finances	5
Improvement of services/conditions	10
Personnel/union issues	4
Neutralization of complaints	10
Legal issues	10

All superintendents stated that they were happy with their current providers. Three superintendents reported that they had to change providers over the years for various reasons: lack of quality performance, lack of supervision of vendor employees, the vendor company claiming bankruptcy, vendor employees not speaking English, complaints from students, staff, and community, and dissolution of the vendor company. The superintendents stated that by changing the vendor company, they changed the aspect of the service that needed improving.

Contract language is one area of the service that all superintendents reported as an aspect of the service that they had changed. All superintendents reported that aspects of the service that needed to be changed were addressed through detailing the contract language to specify those areas of the service they wanted to change. All superintendents

stated that their experiences with issues over the years have alerted them to potential problem areas in the contract language. All superintendents learned through experience not to accept the contract language as offered by the vendor. All superintendents now modify the suggested vendor offered contract language in some way. Eight superintendents utilize legal assistance to modify the contract language.

Superintendent C said that he has worked with four cleaning/custodial services over the years. He reported that each time he changed a vendor he modified the contract language to improve the service the district received and to protect the district from liability. He recommended that contract language allowing the district to terminate the service with a thirty day notice was very beneficial. He also added that he now has the contract language read by attorneys to insure that the district is protected from lawsuits.

He reported the incident which caused him to refer the contract to attorneys and also caused him to add the thirty day termination clause. The anecdotal reporting of that incident follows to strengthen and support the two recommendations made by Superintendent C.

The Township Treasurer was giving a presentation in a district school. The treasurer slipped and broke his hip, an accident which ended his career. Although the fact that the Township Treasurer slipped and fell is not directly related to the contracting of custodial services, the Township Treasurer

sued the district for failing to maintain clean and safe walkways. The district argued that it was not the district's responsibility since the district contracted for custodial services. The vendor maintained that the district should pay. Litigation continued for two years. The end result was that the cleaning/custodial firm was responsible and not the district. The district was protected by the contract language. The cleaning/custodial firm went bankrupt and dissolved over the incident. The contract language which protected the district was in the contract agreement. The language had not been added by the district and was part of the vendor supplied contract language. The superintendent now has improved on that language and insures that all his contracts protect the district from liability by referring the contracts to attorneys.

Superintendent C reported that the thirty day termination clause also proved beneficial when the district was faced with a contractual obligation with a vendor who filed bankruptcy and dissolved his firm. These difficulties were caused by the financial burden placed on the cleaning firm as a direct result of the Township Treasurer's lawsuit.

Superintendent G stated that the district must make the privatized service meet the district needs through constant evaluation. Constant evaluation forces the district to make sure the match between district needs and vendor services are met. He said that every time a contract is renewed the contract specifications can and should be adjusted to ensure better

vendor performance. He reported that minimum monthly meetings are necessary with the vendor representative so that the lines of communication are always open. He also suggested a formal process for staff complaints to be handled. He stated that he created a reporting form for employees to complete whenever they encountered an item that the privatized service did not complete or whenever there was a problem or concern with the privatized service. He agreed that this was not a new way of dealing with issues, concerns, or problems. But, he added, that over time the issues have been resolved and he has gained the experience needed to avoid those same issues in the future.

Superintendent H stated that he saw an improvement of services in the areas of cleaning and food service. He added that he really could not compare transportation because his district had been privatizing transportation for approximately 15 years. He stated that the cleaning service produced buildings that are cleaner and that the food service provided better quality and variety of food. He further added that he could get things done quicker and more efficiently with the privatized services than with district employees. He said this was possible due to the absence of the support staff unions. He reported that the privatized operations were currently "smooth" in his district and if he needed or wanted something done, for example, a quick set-up for a meeting, all he had to do was call the day supervisor.

Superintendents I and J both stated that service performance declines a bit when privatization occurs, but the savings were worth it.

Superintendents A, C and J added that when they thought the service had declined, the price of the vendor had escalated too much, or they endured other negative experiences, they "got rid of the vendor" and went out to bid again.

All superintendents liked the freedom from complaints aspect of the privatization process. When questioned further and reminded that ultimately the superintendent and the board are responsible to the community, the superintendents expressed no concerns for backlash. The superintendents stated that if any complaints arise, they usually refer the complaints to the vendor. Six superintendents added that they also tell complainers that they will investigate the situation and either call back themselves or have someone contact the complainer with an explanation. The superintendents reported that the vendors handle all student, parent, and community complaints. The vendors also handle any problems that arise. Although the superintendents acknowledged that they are responsible to their boards and that together they are responsible to the community, the superintendents agreed that these two areas, problems and complaints, now handled by someone other than themselves, have increased their perceived success rate in the community which, in turn, helps to guarantee their longevity in their positions.

Figure 23 below lists the strategies related by the superintendents in response to Question Five. Also listed is the number of responses for each strategy.

**Figure 23**

Strategies cited in response to Question 5	# of responses
Change vendors	3
Use contract language to set criteria for service	10
Use vendor to handle problems and complaints	10
Leave well enough alone	2
Use committee to evaluate match between district needs and services contracted	4
Use vendor to train personnel	2

**6. How do you handle quality control?**

Who oversees the day to day operations of the service? Has contracting the service resulted in a loss of control by the district? Explain.

Figure 24 below presents the factor areas which either fostered or impeded the privatization process and the number of responses citing the factor. Six factors were found in response to Question Six:

- Finances,
- Personnel/union issues,
- Neutralization of complaints,

- Politics/personal ties/hidden agendas,
- Feedback/evaluation form, and
- Communications.

**Figure 24**

<u>Factors</u>	<u>Responses Citing Factor</u>
Finances	2
Personnel/union issues	6
Neutralization of complaints	3
Politics/personal ties/hidden agendas	2
Feedback/evaluation form	4
Communications	6

All ten superintendents reported that quality control by the district is handled as the need arises based on feedback from children, staff, parents, and other district administrators. This methodology for handling quality control is not new. It is based on a reactive rather than a proactive philosophy. It does not stem from current "Total Quality Management" models which emphasize building quality into a system through the continuous improvement of the system or process by reducing variation in order to achieve the aim of the system.

According to Deming, profound knowledge is the basis for quality management. Deming felt that profound knowledge was acquired by: understanding the system, understanding optimization of a system,



understanding variation within a system, understanding the theory of knowledge, and understanding some human psychology. Deming also felt that knowledge was the interpretation of information for prediction.

Deming's Total Quality Management model is also based on 14 points for management. If the superintendents handled quality control according to Deming, their methodologies would be based on more proactive models.<sup>56</sup>

The superintendents also reported that the vendors have local supervisors who handle the operations of the contracted service on a day-to-day basis. As mentioned previously, vendor held monthly meetings in which quality control issues are discussed and possible solutions and courses of action are determined were held. All ten superintendents reported that during the first year of privatization, these meetings were beneficial. The superintendents reported that they delegated the task of quality control to someone else. Ten superintendents reported that the quality control issues were handled by the business manager, the assistant superintendent, or the facilities director. When asked if their delegates attended the monthly meetings, four superintendents responded "yes." The other six superintendents said that if their delegates did not attend the meetings themselves, then the delegates sent representatives. The superintendents

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<sup>56</sup>Deming, Dr. W. Edwards, Out of the Crisis, 1986, Massachusetts Institute of Technology, Center for Advanced Engineering Study, pp. 1-98.

reported that as each year passed, there were less and less concerns. Seven superintendents reported that they currently only have a meeting when necessary.

In addition to these measures, Superintendent C reported that he handles quality control by having the staff write complaints in a type of log book which is accessible in the office of every building. This procedure has proved beneficial especially with the cleaning service. The cleaning service operates from three to eleven p.m. The presence of the cleaning service in the building has provided extra security from outside intruders to his buildings. While helping on the external security issue, the evening shift custodial services has allowed for internal security issues. Sometimes teachers will say that some items are missing from their rooms. With the changeover in cleaning staff that the vendors provide, reports of missing items can certainly be cause for alarm. His district has handled this problem by hiring one security guard who travels among the buildings from three to eleven p.m. This security guard checks the log books in every building every day. He then makes sure that whatever concern was aired in the log book by a staff member is reconciled. In this manner, the district has one person who has three primary responsibilities: quality control, internal security, and additional security for those evenings on which community functions occur in district buildings. This use of personnel seems to work effectively for this district. Superintendent C was probed about the additional cost of a security

guard who was needed in part because of privatizing the custodial services. He reported that even if the cost of the security guard was added to the cost of the custodial service, the district still saved money by privatizing the service.

Superintendent H also added that he has a checklist/evaluation form. He likes these forms because the people immediately affected by the contracted service provider utilize them to give on the spot feedback as need arises.

All superintendents reported that there was no loss of control by the district because of the various contract language specifications, ongoing monitoring, and evaluation. The superintendents all agreed that privatization of the support area services improved over time in their respective districts due to their experiences with problems that arose which have been previously described. Dealing with those problem issues caused the superintendents to scrutinize the contract language more closely and insert whatever language might be needed to meet their individual district needs. The thirty day termination clause was only used by one district. Yet this clause really puts the district in control because the vendor is only contractually guaranteed the next thirty day period of work. Superintendents modified contract language with service providers to protect the district, to enhance district control, and to insure service provider quality and performance.

Upon further probing, eight superintendents revealed that they now check all contracted services with their attorneys although they did not do so initially. Two superintendents said they check the contract language against the contract language of their colleagues. These two said that they themselves insert whatever verbiage they feel is needed to protect the district.

Figure 25 below lists the strategies employed by superintendents in their responses to Question 6 and the number of times the superintendents responses were able to be categorized with the listed strategy.

**Figure 25**

<b>Strategies cited in response to Question 6</b>	<b># of responses</b>
Leave well enough alone	10
Deal with problems as they arise	10
Staff, student, parent, complaints about vendor written down	7
Superintendent's designee addresses and resolves complaints with vendor	5
Use contract language to set criterion for services	10
Use lawyers to check contract language	8
Vendor supervisor handles day to day operations	6
Monthly meetings between superintendent or designee and vendor supervisor	8

**7. Name any benefits the district has derived from privatizing the support area.**

All ten superintendents named some benefits derived from the privatization process. The benefits they listed were able to be categorized by the predefined coding schema. Figure 26 gives the number of superintendents whose responses were categorized into the factor list.

Below is a list of factors which emerged from Question Seven:

- Finances,
- Improvement of Service,
- Neutralization of complaints,
- Lack of time/ personnel to effectively run support area by the district (job overload),
- Facilities upgrade,
- Parent expectations,
- Public relations tool,
- Lack of district expertise in the service area.

**Figure 26**

<u>Factors</u>	<u>Responses Citing Factors</u>
Finances	10
Improvement of Service	9
Neutralization of complaints	7
Job overload	6
Facilities upgrade	4
Parent expectations	2
Public relations tool	4
Lack of district expertise in the service area	2

All the superintendents saw the contracted service as a way the district effected a cost savings (categorized under finances). The superintendents also reported that they did not privatize an area if a cost savings was not realized. See Figure 16. By publicizing the cost savings, and the subsequent use of the saved monies in other areas of need, privatization, in a way, became a public relations tool available for use by the superintendent. While true that cost-savings does not a quality school make, cost-savings does make good press. Good press about the school district reflects on the ability of the superintendent to do his job. Therefore, the parents are satisfied with the ability of the superintendent in this aspect of his job performance which helps to insure his job security.

Six superintendents also reported that their job load was lessened when a support service was privatized. Superintendents C, H, I, and J also

stated that the time previously spent in negotiations with support union personnel was time they could now devote to other areas. Six of the seven superintendents who privatize transportation stated that the time saved by not having the burden of checking the roads to see if the buses could get through safely on bad weather days was a benefit. The superintendents said that much time, energy, and resources are spent managing and supervising school support areas. Support area services take time away from administrators' main mission which is to provide a good education for students. Privatization of a support area service "allows someone else to deal with the problems and shoulder the responsibilities of auxiliary and support services that are only indirectly related to education."<sup>57</sup>

Two superintendents reported that the vendors of support areas are more knowledgeable in their particular support area. They stated this was the primary business of the service provider and, therefore, the service provider already had developed efficient and effective practices and procedures. The two superintendents added that vendor expertise outperforming district expertise was particularly true of large service providers who represent million dollar companies like Marriott and can draw other resources from throughout the firm. Small school districts do not have

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<sup>57</sup>Lyons, James E., "Contracting Out for Public School Support Services," Education and Urban Society , Vol. 27, No. 2, February, 1995, p. 157.

the expertise in the support service area that a company such as Marriott has.

Three superintendents discussed the benefit of utilizing local off-duty police officers as security guards for special events and night functions held by the district. Specifically, they stated that:

- The officers were licensed and bonded by the village,
- There were no IMRF costs incurred,
- There were no benefits package costs incurred,
- The village, not the district, was primarily liable,
- There were no supplies to purchase,
- There were no Workmen's Compensation costs incurred,
- No training costs were incurred, and
- Utilization of local police officers helped the students see the police in a positive role model setting.

Given the above stated benefits, the wages paid by the district were at a greatly reduced rate for the services the off duty officers provided as security.

Under the improvement of services factor, the nine superintendents who privatize food services said that their constituencies all liked the improved quality and diversity of the lunches offered. They added that when the students liked the lunches, their parents were happy about the lunch program. Happy parents created good community perceptions about the



school district. Again, good community perceptions about aspects of the school district's performance translate to community satisfaction with the superintendent which translates to another area where job security is affected.

Only one strategy surfaced in the superintendents' responses to Question 7. If the privatization of a support area service went well, the press received from it could be utilized as a public relations tool. Although previously stated, utilizing the press as a public relations tool strategy was cited in response to Question 7 also. Four responses were able to be categorized to fit this strategy.

**8. Did you encounter any problems during the privatization process?**

All superintendents encountered problems of one form or another in the privatization process. Many of these problems have already been reported throughout the previous seven questions. Figure 27 below presents the factors which emerged from direct responses to Question 8 and the number of superintendents whose responses cited that factor. Below is the factor list:

- Vendor ethics,
- Support area terminology,
- Profit motive entering public education,
- Personnel/union issues,
- Legal issues,

- Parent expectations,
- Service delivery standards, and
- Politics/personal ties/hidden agendas.

**Figure 27**

<b><u>Factors</u></b>	<b><u>Responses Citing Factors</u></b>
Vendor ethics	4
Support area terminology	2
Profit motive entering public education	6
Personnel/union issues	10
Legal issues	6
Parent expectations	2
Service delivery standards	2
Politics/personal ties/hidden agendas	4

One of the greatest problems not already discussed specifically relates to personnel issues. Some of the anecdotal is presented to support the findings. Superintendent I said that any superintendent wishing to privatize needs to, "Develop an awareness of the people who will be affected by the decision." For example, food service personnel who are threatened by the advent of privatized food services try to sabotage the project. Food service personnel who lose their jobs or who change employers from the district to the vendor are unhappy and cause staff and morale problems related Superintendent J. These staff and morale issues are a pitfall for the superintendent.

This awareness of personnel needs paves the road for a smooth transition to privatization as Superintendent A recounted when he arranged to retain the long-standing food service workers for a time until they were vested and then transitioned them to vendor employees.

Superintendent H told how he privatized his maintenance area. He stated that constantly increasing salaries and benefits of district custodians were of concern to the district. He also stated that the job performance of these support area union members was declining. He and the board decided to investigate privatization of custodial staff to see if the situation could be improved. District H accepted vendor bids for custodial services. He further stated that the district actually bargained the highest vendor bid against the union contract with the help of legal advice. The end result was that the district "broke the union," custodial services were privatized, and the district realized a \$275,000 savings. He also reported that both he and the board had to deal with community backlash. The board president's tires were slashed, emotions ran high in the community, and stealing occurred which was blamed on the newly privatized service, but was suspected to actually be the work of disgruntled or former employees, and locks had to be changed.

Personnel/union issues and legal concerns were reported by ten and six superintendents respectively as their greatest problem encountered in the privatization process. There was a lawsuit in New Ulm, Minnesota,

when the school district contracted out its food services operation thereby eliminating an entire bargaining unit during the contract period. The case ended up in the Minnesota Supreme Court which held that the Board of Education was required to submit to binding arbitration over the impact of its actions. The court was concerned about the school district personnel who would be affected during the remainder of the contract period.<sup>58</sup>

The New Ulm case brings questions to mind which need to be considered as problem areas when considering privatization. Personnel/union issues have an impact on costs, specifically, arbitration and litigation increase the costs of legal expenses. How many years of contracted food services will it take to recover these costs before a profit will be seen? And, what impact did all this adult controversy have on the children of the school district?<sup>59</sup>

Superintendent J said that prior to his arrival, his district had gone through arbitration as a result of an unfair labor relations practice which was taken to the Illinois Educational Labor Relations Board. The district had contracted social work services even though it already employed a part time social worker. The result of the arbitration process was that the district was forced to hire additional district personnel and give back pay to those

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<sup>58</sup>Independent School District Number 88, New Ulm, Minnesota v. School Service Employees Union Local 284, 503 N.W.2d 104 (Minnesota, 1993).

<sup>59</sup>Ibid.

employees who had contracts with the district when the district contracted out for services which were already being provided by part time district employees. In this scenario, the subsequent legal costs and additional pay the district had to provide were unanticipated outcomes of privatization which created problems for the district. The specifics of this case are recounted in Chapter Two.

Figure 28 below lists the strategies superintendents related and the number of superintendents whose responses were able to be categorized fitting the strategy.

**Figure 28**

<b>Strategies cited in response to Question 8</b>	<b># of responses</b>
Arrangements made regarding district employees prior to privatization	2
Use privatization to lower employee wages and cut IMRF payments	7

## Summary of Findings

Various factors emerged in answer to the interview questions. Since some of the factors emerged for more than one question, the strength or importance of the factor with respect to privatization is presented. Each factor had the possibility of appearing 10 times for each of 8 major Questions for a total of 80. Figure 29 below lists all the factors, number of responses citing each factor per Question, and a total number of citations for each factor over the 8 Questions indicating the relative strength and or importance of each factor. It is noted that some Questions due to the question design itself were not geared toward certain factors, for example, Question 8, "Did you encounter any problems during the privatization process?" would not and did not produce positive factors such as "neutralization of complaints." Nonetheless, the number of times a factor did appear still indicates the relative importance of the factor. The greater the number of factor responses over the 8 interview Questions, the more important or stronger the factor with respect to privatization of the support areas.

**Figure 29**

<b>QUESTION #</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>Tot</b>
<b>FACTORS</b>									
Finances	10	10	8	3	5	2	10	0	48
Improvement of services	6	2	2	0	10	0	8	2	30
Personnel/Union Issues	4	6	8	1	4	6	0	10	39
Neutralization of complaints	2	5	0	0	10	3	7	0	27
Com. Perceptions	2	0	0	4	0	0	4	0	10
Politics/ties/agendas	0	5	8	10	0	2	0	4	29
Quality/cost	0	1	0	0	0	0	0	0	1
Parent Expectations	0	4	0	0	0	0	0	2	6
District expertise	0	2	0	0	0	0	2	0	4
Job overload	0	2	0	0	0	0	6	0	10
Intergovernmental relation.	0	0	0	3	0	0	0	0	3
Com./Societal influences	0	0	0	4	0	0	0	0	4
Timing	0	0	0	1	0	0	0	0	1
Legal issues	0	0	0	0	10	0	0	6	16
Facilities upgraded	0	0	0	0	0	0	6	0	6
Feedback/Evaluation form	0	0	0	0	0	4	0	0	4
Communications	0	0	0	0	0	6	0	0	6
Vendor profit motive	0	0	0	0	0	0	0	6	6
Terminology	0	0	0	0	0	0	0	2	2
Vendor ethics	0	0	0	0	0	0	0	4	4

Various strategies emerged in answer to the interview questions. Since some of the strategies emerged for more than one Question, the strength or importance of the strategy with respect to privatization is presented. Each strategy had the possibility of appearing 10 times for each of 8 Questions for a total of 80. Figure 30 below lists all the strategies and the total number of citations for each strategy over the 8 Questions indicating the relative strength and or importance of each strategy. It is noted that some Questions due to the question design itself were not geared toward certain strategies, for example, Question 8, "Did you encounter any problems during the privatization process?" would not and did not produce strategies such as "board members 'sold' at conference." Nonetheless, the number of times a strategy did appear still indicates the relative importance and/or use of the strategy. The greater the number of strategy responses over the 8 interview Questions, the more important or stronger the strategy with respect to privatization of the support areas.



Figure 30

Strategies utilized to persuade board	Total Number of Responses
Leave well enough alone	21
Use committee to research	4
Cost comparison by superintendent or designee	15
Bring in outside "expert"	6
Refer complaints to committee	2
Use committee to pressure board	3
Get bids from vendors	19
Temporarily close down or withhold services	3
Use employee vote as input to board	1
Educate board	6
Use "superintendent network"	12
Change the vendor	5
Get building principal input	1
Board members "sold" at conference	4
Monthly reports to board about condition of support area being considered	2
Make arrangements for long-standing employees	2
Work with board members in committee or closed session prior to vote	10
Conduct a survey/needs assessment	2
Utilize formal presentation to board by vendors	4
Use unexpected closed session strategy	1
Form organizations with other taxing bodies to influence and/or fund privatization	3
Use relationships with others to influence board	4
Use contract language to set criterion for service	20
Use vendor to handle problems and complaints	10
Use committee to evaluate match between district needs and services contracted	4
Use vendor to train personnel	2
Deal with problems as they arise	10
Staff, student, parent, complaints about vendor written down	7
Superintendent's designee addresses and resolves complaints with vendor	5
Use lawyers to check contract language	8
Vendor supervisor handles day to day operations	6
Monthly meetings between superintendent or designee and vendor supervisor	8
Utilize good press as public relations tool	4
Arrangements made regarding district employees prior to privatization	2
Use privatization to lower employee wages and cut IMRF payments	7

# **CHAPTER FOUR**

## **CONCLUSION**

### **Summary**

The purpose of this dissertation was to discover and analyze the factors involved and the strategies administrators employed when deciding to privatize one or more of the support areas. Support area privatization is accomplished when a district contracts for services in a noninstructional area. Transportation, food services, maintenance and security were the areas selected as a focal point because the review of the literature suggested them as traditional areas where contracting has occurred. A review and analysis of the literature was presented. An initial survey to determine the sample was conducted. This initial survey was sent to all 208 districts in Cook and DuPage counties. 87 surveys were returned. 50 respondents indicated willingness to participate in qualitatively conducted interviews. Of the 50 respondents willing to participate, only 18 were eligible based on number of services privatized criteria. Of the 18 eligible, 6 were eliminated because the respondent lacked experience as an

administrator. Another two were eliminated because the respondents no longer were willing to be interviewed. This made the final sample 10.

Two pilot interviews to practice interviewing techniques were conducted with administrators who were not part of the study. Ten qualitative, open-ended, semistructured interviews were conducted. These interviews lasted from one to three hours. Field notes and memos were taken during the interviews. The interviews themselves were taped and then transcribed later the same day. Artifacts were also requested, collected, and examined for relevance. A data display was created through the use of spreadsheet and database files. Coding was accomplished through the use of field names on the computerized database and through the use of search features the database allowed. A presentation and analysis of the data was presented in Chapter Three.

All Cook and DuPage County School Districts are under a tax cap. The tax cap limits the amount of monies the districts can levy by not allowing an increase greater than five per cent or the consumer price index (which is currently at two and seven tenths per cent) whichever is lower. This limitation along with less federal and state funding puts school administrators in the position of scrutinizing school budgets in order to get the biggest "bang for the buck. "

All the literature, both pro and con, suggests that the rationale for privatization should be to provide a service that meets the performance

standards of the district in an efficient and cost effective way. While all superintendents interviewed said that they privatized support area services to get the district in a better financial picture, other factors were also discussed. These other factors helped to expose the rationale and strategies employed by the superintendents with regard to privatization issues.

The motivation to consider privatization was primarily financial in nature. Most superintendents were faced with financial problems caused by previous years of inefficient management of funds, increased costs, decreased funding sources, previous deficit spending practices, and/or tax cap limitations. One district was even on the financial watch list when the superintendent was hired. Existing conditions negatively impacted the district budget and the education fund caused superintendents to review their respective budgets and target some area where they could effect a cost savings in some way. Any monies saved could be utilized in other areas of need or reinvested in the district.

## **Conclusions**

1. Food service, transportation, maintenance, and security were the four areas most privatized.
  
2. The eight major factors relevant to privatization were
  1. Financial concerns
  2. Improvement of services
  3. Personnel/union issues
  4. Neutralization of complaints
  5. Community/board member perceptions
  6. Politics/personal ties/hidden agendas
  7. Job overload
  8. Legal issues.
  
3. The eight major strategies utilized by superintendents relevant to privatization were
  1. Leave well enough alone
  2. Cost comparison by superintendent or designee
  3. Get bids from vendors
  4. Use "superintendent network"
  5. Work with board members in committee or closed session

prior to vote

6. Use contract language to set criteria for service
  7. Use vendor to handle problems and complaints
  8. Deal with problems as they arise.
4. The most important factor in the decision to investigate privatization of a support service was financial concerns, more specifically, cost effectiveness.
5. All the services privatized were cost effective.

All initial decisions to consider privatization were made by the superintendent. The majority of decisions was based on hunches, intuition, or the recommendations of other superintendents. The original decision to consider privatization stemmed from a variety of factors listed above. Once the superintendent decided to go forward with privatization, he then had to sell the idea to his Board. In order to sell his idea, he orchestrated a process of evaluating the feasibility of privatization. He involved community/Board members in the decision-making process. Committees were formed, bids and specifications were gathered and analyzed, costs were compared.

All financial aspects of the service were considered. Cost comparisons of the district owned and operated services versus the cost of a contracted services were done. Cost was the first item considered. An analysis of the quality of service of the support area for the cost in one instance was the second consideration.

Most vendors sold their packages in the direct opposite manner. Rather than seeing cost as the number one factor, they sold the ease of administration, responsiveness of the support area service, and quality as being the number one issues. They worded their proposals with cost being the last consideration rather than the first. The artifacts reviewed and the interviews held stressed that the privatized services freed administrators from the time consuming tasks of dealing with problems that arise and promised high quality service. The vendors assumed that districts would pay for quality and service.

All superintendents interviewed claimed that their current service providers met the needs for which they were contracted. When probed for specifics about their evaluation process, they generally cited less complaints, cost savings, and community/Board satisfaction as criteria for making their evaluations. Superintendents had monthly meetings with the service provider, created check lists and log books for staff to complete to help monitor and evaluate the service provider, and even hired extra district personnel to handle quality control issues with the service provider and to

evaluate the service on an ongoing basis. No further cost comparisons by the district were done to see whether privatizing the support area service continued to be the best option. The superintendents were satisfied with the service if the headaches and complaints were no longer an issue and the community was happy.



## **Recommendations**

1. All districts should consider privatization of support areas even if they are currently satisfied with the district operated service.
2. Districts should develop a process through which the service provider can be evaluated.
3. Initially, districts need to take a serious look at vendor provided contract language and make necessary changes to insure that the district is protected at all times. Thereafter, a yearly review with modifications made as needed is recommended.
4. Superintendents, administrators and school board members should become more knowledgeable about privatization practices. Districts should develop a process through which they can insure that they properly research and evaluate the privatization decision at hand. They should thoroughly research any area they are considering privatizing. Privatization issues should create true assessment of needs models for the district. They should look at financial evaluations such as cost benefit models comparing district operated and privatized services before making decisions about privatization. Any implementation of decisions made need to be regularly reviewed and adjustments made as needed.

5. Districts considering privatization need to educate their communities about privatization. They also need to get community, board, staff, parent, and even student input prior to privatizing a support area service.

### **Suggestions for Further Study**

1. This study could be replicated in different regions of Illinois comparing privatized services utilized and rationales for their privatization.

2. This study could also be replicated selecting a final sample of only those districts who privatize no services to see the rationale for district owned and operated support area services.

3. This study could be replicated focusing on districts who privatize instructional services and comparing the rationales stated for privatization of instruction to the rationales stated for privatization of support area services.

# APPENDIX A

## INITIAL SURVEY FORM

NAME \_\_\_\_\_

PHONE \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ ZIP \_\_\_\_\_

1. Please check one response to indicate your school district type.

\_\_\_\_ Elementary (K-8)

\_\_\_\_ High School (9-12)

\_\_\_\_ Unit (K-12)

\_\_\_\_ Other

2. Please check the services your school district contracts.

\_\_\_\_ transportation

\_\_\_\_ security

\_\_\_\_ considering contracting

\_\_\_\_ food services

\_\_\_\_ other

\_\_\_\_ maintenance

\_\_\_\_ no contracted services

3. Would you be willing to participate in an open-ended, semistructured interview about your school district's experiences with contractual services?      \_\_\_\_ yes      \_\_\_\_ no

4. 1994/1995 school year enrollment. \_\_\_\_\_
5. What was the assessed valuation of your school district for the  
1994-1995 school year? \_\_\_\_\_
6. What is your current job title? \_\_\_\_\_
7. How many years experience do you have in an administrative  
capacity? \_\_\_\_\_
8. How many years have you been responsible for contracting services  
in your district? \_\_\_\_\_
9. Please use the area below to list any preliminary comments or  
concerns you might have regarding your participation in this  
research study. (Optional)

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# **APPENDIX B**

## **INFORMAL, OPEN-ENDED, SEMI-STRUCTURED INTERVIEW SCHEDULE**

**(Questions will include, but not be limited to the following:)**

### **1. Describe the existing conditions in your district just prior to privatization.**

What were the leading factors in persuading those involved to look for alternative methods? What was the rationale for deciding to privatize?

### **2. How did the initial decision to privatize occur?**

Who were the key people involved in the initial decision to privatize? What roles did they play in that decision making process? What were the expectations of the Board, community, staff, and administrators? Did the privatization experience fulfill those expectations? How did those not involved in the decision making process ( community, staff, and administrators) react?

### **3. Describe the procedure you followed in contracting.**

Was any research done prior to the decision to privatize. If so, briefly outline what was learned and how. Was any formal process utilized when securing bids from the different vendors? What method was utilized for comparing the services offered by the different vendors? Who was responsible for the final selection of a vendor? What rationale was used to make that final selection?

**4. Did political/societal trends play a part in the decision making process?**

Do any other government bodies in your community privatize? Did their experiences with privatization influence the district decision? How? Is there a relationship between the governmental bodies in your community? Did any unanticipated outcomes arise?

**5. Does the contracted service meet the needs for which you hired it? Why?**

How did the performance of the new provider compare to the performance of the previous provider? Explain. Are there any aspects of the service you would change? What and Why?

**6. How do you handle quality control?**

Who oversees the day to day operations of the service? Has contracting the service resulted in a loss of control by the district? Explain.

**7. Name any benefits the district has derived from privatizing the support area.**

**8. Did you encounter any problems during the privatization process?**

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# VITA

Liliana Evers was born in Naples, Italy. She immigrated to the United States with her family as a child. She settled in the Chicagoland area where she still resides. She attended St. Michael's Elementary School and St. Mary's High School. She received her Bachelor's Degree in Education from the University of Illinois Chicago and her Master's Degree in Administration and Supervision from Roosevelt University, Chicago. This dissertation completes the requirements for her Doctorate from Loyola University Chicago.

Her career started as a teacher of English as a Second Language. She then progressed to classroom teacher, ESEA teacher, computer teacher, computer coordinator, assistant principal, and principal. She is currently an elementary principal in DuPage County. She has been honored by the communities in which she has worked for her dedication to educational excellence and her contributions to the children of those communities.

# APPROVAL SHEET

The dissertation submitted by Liliana Evers has been read and approved by the following committee:

Dr. Mel Heller, Director  
Professor, Educational Leadership and Policy Studies  
Loyola University Chicago

Dr. Lou Gatta  
Assistant Professor, Curriculum and Instruction  
Loyola University Chicago

Dr. Art Safer  
Professor, Educational Leadership and Policy Studies  
Loyola University Chicago

The final copies have been examined by the director of the dissertation and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the dissertation is now given final approval by the committee with reference to content and form.

The dissertation is, therefore, accepted in partial fulfillment of the requirements of the degree of Doctor of Education.

April 22, 1997  
Date

  
Director's Signature